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**EDITORIAL****As We See It**

"What shall we do to be saved?" This seems to be the refrain of many elements among the Republican politicians today. This dirge—that is what it often appears to be—is frequently sincerely sung although one is obliged to suspect that upon occasion it covers a certain glee among anti-Eisenhower party members who see in recent election events an opportunity to enlarge their sphere of influence. There is, of course, no question but that the party now in office faces the necessity of getting a good deal done at this next session of Congress to convince doubting Thomases that it can and will do what it has assured the public it could and would do. This fact has been plain for a good while past, and doubtless the results of the voting last week emphasized the fact in one degree or another.

We are neither a prophet nor the son of a prophet. Certainly we can claim no particular political knowledge or acumen. Nonetheless we venture to hold certain ideas about what the Republican party must do to deserve to win handsomely next year. We are equally positive in our own mind that we know a number of things now being urged in influential quarters which would not render the party deserving. Since many measures are now being pushed by professional politicians and at times certain others who would use the existing situation to their own advantage, we shall enumerate some of these programs which, in our judgment, would strongly suggest more interest in votes than in statesmanship.

For one thing, the way to win next year's election is not to be found in major reduction in tax revenue without regard to the state of the

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**Problems of the European Defense Community**

By MELCHIOR PALYI

Dr. Palyi discusses European federation in both economic and military spheres and finds problems not only difficult, but perhaps insuperable. Cites difficulties of Benelux, and says economic federation presupposes monetary union and points out creation of a common market, the objective of the European Coal-Steel Pool, is not necessarily a free market. Calls the European idea a fallacy rather than a panacea, and concludes "efficient and cheap production is the prime condition of broadening the market."

An old "cliche" it is: that Europe's affliction with low productivity is due to the narrowness of its market area. Broaden them by federation, and all will be light and sweetness! Integration would create the markets which are (allegedly) needed to boost productivity, to reduce unit costs, to give full play to the economic potential of the participants. The sentiments inspiring this idea are wholly admirable, but the logic is open to serious doubt. A few reflections should help to straighten out a great deal of misdirected (American) good intentions.

A Union or Federation of Free Europe would have to be a shot-gun wedding. Among its some 270 million people, "under-the-skin" differences in national traditions, policies, institutions, economic ethics, and standards of behavior are as profound as among the nations of this hemisphere. The linguistic chaos alone would preclude rational functioning, to say nothing of conflicting political attitudes and prejudices. Republics and Royalties do not mix easily. Two such closely related and peaceful neighbors as Swedes and Norwegians, who speak very similar tongues, live under almost identical institutions, enjoy the same kind of civilization—separ-



Dr. Melchior Palyi

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(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

### JACQUES COE

Senior Partner, Jacques Coe & Co.,  
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**United States Steel Corp.**

In my opinion U. S. Steel is approaching a period in its corporate existence where the stockholders should begin to cash in on the tremendous cash outlays of the past 12 years.

*There is a tide in the affairs of men,  
Which taken at the flood,  
leads on to fortune;  
Omitted, all the voyage of  
their life  
Is bound in shallows and in  
miseries.  
On such a full sea are we  
now afloat;  
And we must take the current  
when it serves,  
Or lose our ventures."*

Act 4, Scene 3, Julius Caesar

which is another way of saying that every once in a great while there comes a time in the life of a corporation where the wisdom of the past blooms and pays dividends in the present. This may be U. S. Steel's period.

Over a period of many years, this company, the world's largest steel manufacturer, has been liberal in its dividend policy notwithstanding that at all times large funds and reserves were set up and used for rehabilitation, expansion, new projects, etc.

Probably one of the most amazing things about U. S. Steel, is the fact that it has accomplished its vast modernization program since 1941 at a cost of \$2,265,000,000, equivalent to approximately \$85 a share, without additional financing. In fact, at the end of 1940, the funded debt totaled \$201,000,000. Now it is only \$61,000,000, consisting solely of debt on its four subsidiary railroads.

There are 3,600,000 shares of preferred (\$100 par) or \$360,000,000. Add the \$61,000,000 bonded indebtedness and 26 million shares selling currently at \$37 a share—or another \$962,000,000 and U. S. Steel is selling in the market for a total of \$1,383,000,000—nearly a billion dollars less than what has been spent on the property since 1941!

There are two projects still to be completed, namely: The Fairless Works at Morrisville, Pa. and the Cerro Bolivar Iron body at Venezuela, which according to Mr. Fairless, Chairman of the Board, will not necessitate any additional financing.

U. S. Steel now has a capacity of 36,400,000 tons compared with 29,700,000 tons at the end of 1940. It has boosted its finishing capacity as well as developing new sources of raw materials.

During the last 12 years from 1940 through 1952, U. S. Steel charged off about \$1,700,000,000 for depreciation, depletion, etc. Earnings in excess of dividends amounted to \$500,000,000, so that the depreciation and depletion charges plus this earnings excess, has been sufficient to finance the increased capacity and raw mate-

rial sources without resorting to outside financing.

What becomes of particular interest now is the understanding that U. S. Steel Co. is nearing the end of its major expansion program for some time to come. If that should be so—and since U. S. Steel preferred is non-redeemable, the management has no other medium on which to spend cash gains, hence the common stock must be the principal beneficiary.

For the nine months of 1953, earnings were \$5.56 after providing for \$2.20 excess profits tax. Elimination of EPT for 1954 should help keep earnings at a high level. If business and earnings should decline moderately, the strong cash position (and no need for further expansion) would imply certain continuation of the present \$3 rate. If business should continue reasonably well, the possibility of extra cash distributions are in order.

Looking at U. S. Steel at this price, where it yields approximately 8.00% the element of risk for a lower dividend appears remote unless of course the entire business structure were to collapse. At current levels, the purchase of 100 shares of Steel on 50% margin of say \$1,900 would mean an annual interest charge on the debit balance (at 4%) of \$76 against a dividend return of \$300—an excess of \$224 on an original payment of \$1,900 or nearly 12%. Should the company's dividend policy become more liberal, the income return would increase proportionately.

Our best information on operations for 1954 indicates a possibility of the rate touching a figure as low as 80%. In former times this would have bearish connotations. This time greater efficiency plus elimination of excess profits taxes for 1954 should make very little change in net earnings for the common.

**RUPERT H. JOHNSON**  
R. H. Johnson & Co., New York City

**Texas Utilities Company Common Stock**

A little more than three years ago I recommended Texas Utilities stock as my favorite security in an article in the "Commercial & Financial Chronicle,"

when it was selling at approximately 22. I again recommend Texas Utilities stock as my favorite security today, even though the price is now around 44 1/4.

When previously recommended the annual dividend was \$1.10 per share, while today, with considerably more stock outstanding, the indicated annual dividend is \$2.08 per share.

The Texas Utilities Company operates a power and light business (all in Texas), serving through its three main subsidiaries (all 100% owned) Dallas Power & Light Co., Texas Power & Light Co., and Texas Electric Service Co., a total of 640 cities and towns. The largest cities served are Dallas, Fort Worth, Waco and Wichita Falls.

The company serves 20% of the

### This Week's Forum Participants and Their Selections

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# Outlook for 1954 Auto Production

By L. L. COLBERT\*  
President, Chrysler Corporation

Leading auto executive in expressing confidence in continued good business, predicts total passenger car production and sales in 1954 will be around 5 million units, "or near level of current year." Points out, however, there is going to be more competition in favor of the automobile buyer, the like of which has not been seen in 15 years. Stresses importance of our increasing population, expanding suburban areas, and improvement of highways as factor in maintaining a high level economy and growing demand for new cars.

What you want me—as a visitor from Detroit—to do today is to answer those all-important and most interesting of questions—

"How's business?" and "What is the outlook for the future?"

Let's take the first question first. In the first nine months of 1953 the automobile industry as a whole produced and sold approximately 5 million passenger cars and nearly a million trucks and buses; and the totals for the year begin to look like a little more than 6 million passenger cars and about a million trucks and buses.

These totals will undoubtedly make 1953 the second biggest year in the history of the industry in numbers of vehicles produced and sold; and in terms of dollar value of vehicles sold it will probably turn out to be the biggest year on record. The high dollar volume of this year's sales is resulting from the fact that our customers have been demanding more and more of what we used to consider luxury features and luxury models. The extent to which our buyers are "trading up"—demanding more comfort, more convenience, more performance—is a surprise to the oldest hands in the business.

So the answer to the first question is easy. Business is good—very good indeed. Ben Fairless answered the same question about steel when he addressed the Economic Club in Detroit in September. He told us at that time that the American steel industry will probably produce about seven million tons more steel this year than it produced in the record steel year of 1951. The steel business has also been very good indeed.

## Potential Market for Motor Vehicles Is Excellent

Now what about the future? There is no doubt whatever that the potential market for motor vehicles is excellent. And I want to spend a few minutes telling you why I think so. Just consider these facts:

Twelve million of the cars on the road today were built before World War II. They are being

\*An address by Mr. Colbert at a Luncheon of the Pittsburgh Chamber of Commerce, Pittsburgh, Pa., Nov. 9, 1953.

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## Investments for the Businessman

By ARNOLD BERNHARD\*

Editor and Founder of the "Value Line Investment Survey"

Investment analyst advises businessman to buy term instead of life insurance. Suggests importance of partial investment in common stocks, with diversification to limit holding of individual issue to maximum 5% of one's capital. Citing past experience in France, asserts stock prices follow dividends rather than inflation factor. Urges watchful eye on value changes to prompt portfolio adjustments.

A businessman in the economic sense represents earning power, and as a man he is a provider. It would be good business for this man to assure the continuance of his earning power if he could. It would be good business for him to capitalize his earning power. The best way to do that is through insurance. If a man earning \$10,000 a year provides \$5,000 a year to support his wife and children, he could assure the continuance of that support by capitalizing his life at \$100,000 through an insurance policy. Then, if he were taken, his dependents would have the \$100,000 which, invested at 5%, would give his family the \$5,000 income that they had previously been receiving.

Now, there are two kinds of insurance policies generally speaking. One is called term insurance, the other life insurance. The difference is that the term insurance is paid only in the event that insured's life ends. The life insurance, however, not only pays a capital sum in the event of death, but it accumulates capital during the life of the insured as well. In other words, term insurance is pure protection for dependents and nothing else. Life insurance, on the other hand, is protection for dependents and an investment program at the same time.

### Term Insurance for Businessmen

My recommendation is that businessmen give preference to term insurance, rather than to life insurance.

The purpose of insurance is protection. A life insurance policy is not a good investment from the standpoint of the insured, in the opinion of this observer. It costs twice as much. For example, if you are 40 years old and insurable, you can buy \$100,000 of life insurance at a cost of about \$3,000 a year. But you could get the same protection for half the amount in term insurance. The other half of what you would have invested in life insurance could then be applied toward the purchase of common stocks. If that plan were followed, the insured would probably, over a period of



Arnold Bernhard

10 to 15 years, have accumulated more capital in stocks than he could have accumulated in life insurance, and the protection for his family would have been the same throughout.

The advantages of investing in common stocks as against bonds are that the stocks yield more, and the yields, compounded, build up. Furthermore, with the continuing growth of the country, the value of stocks is likely to increase, so that from the investment standpoint, the stockholder can expect more than the bond holder, as indeed he has received more in the past.

After an insurance program has been set up, and I stress again that this is the number one step for every businessman to take in planning his estate, after he has bought enough insurance to provide capital which, invested by his family at a rate of about 5%, would bring them the income they had been receiving during his lifetime, or the income they would need, the question then arises as to how to invest the balance.

### The Tax-Exempt Bond

I have already suggested common stocks, but let me explore another possibility — the tax-exempt bond.

At the present time, tax-exempt municipal bonds yield more than has been the case for many, many years past. A 3 1/2% municipal bond to a man who is in a 50% tax bracket is as good as a 7% return on a stock, and it is as good as an 11% return if the man happens to be in the 70% bracket.

Now, there are few common stocks that can compete with municipal bonds in terms of net yield after tax, and security. One point at which stocks have an advantage over them is that municipal bonds cannot be worth more than par, and they are usually sold at par. A municipal bond, like any other bond, will give you back your money at the end of the loan period. You will get back every dollar. The trouble is you don't know what kind of a dollar you will get back. Today's dollar buys only half as much bread as the dollar 15 years ago. While there is no telling what will happen to the purchasing power of the dollar in the next 15 years, the evidence is rather strong that there will be continuing depreciation of the purchasing power of currency, and that the investor who merely gets back the same number of dollars he lent will not have protected his capital in the interim.

### Advantage in Common Stocks

This is where common stocks have the advantage, because a

stock certificate is merely legal evidence of a profit participation in a going business. A going business during a period of inflation can raise its prices. It can preserve its profit margin. Let us say that the profit margin is 10%, but due to inflation, the cost of goods goes from \$10 per unit to \$20 per unit. If the profit margin remains at 10%, the profit earned on the unit before inflation is \$1, and the profit earned on the unit after inflation is \$2. In terms of the number of dollars earned, then, inflation tends to increase profits, and in so doing, increase dividends. That is why people generally think of buying common stocks during a period of inflation.

But I should like to take this opportunity to warn you against the common fallacy that inflation means higher stock prices. Inflation may mean higher stock prices. Inflation generally means higher stock prices. But I can show you lots of good stocks that have gone down during a period of inflation.

For example, in France after the first World War, the French franc which was then one of the strongest currencies on earth fell from about 20 cents in gold value to 4 or 5 cents in gold value.

The cost of food and the cost of living in France increased about 10 times. During that period of time, some stocks on the French Bourse went up just as much as did the cost of living. The investors who held those stocks fully protected themselves against the depreciation in the franc, for although the franc was worth only one-fifth as much as before, they had 5 times as many francs, due to the rise in price of their stocks.

However, there were other stocks in France that moved sideways. They didn't go up at all during the great inflation that followed World War I. The investors who held those stocks wound up with exactly the same number of francs at the end of the inflation that they had in the beginning. But the francs were worth only one-fifth as much.

Then there were the investors who bought stocks at the beginning of the inflation, only to find that the stocks went down in price during the inflation. These people lost twice. They put in francs that were worth 20¢ each, and they got back francs that were worth 4 cents each. They also got back fewer 4-cent francs than the number of 20-cent francs they put in. They were double losers.

You have often heard it said that during an inflation the thing to do is to buy the extractive industries — the industries that have sound indestructible commodities in the ground. You have also heard it said that during an inflation, one should stay away from utility stocks. The theory is that the commodities under ground will appreciate in value and that therefore the stockholder will benefit; whereas, during an inflation, the utilities will be squeezed between rising costs of operation and fixed prices and therefore the stockholders would suffer.

Beware of these loose generalizations. The fact is that, during the inflation in France after the first World War, the stocks that went up 500% were the utility stocks. The stocks that went down in price during that inflation were the steel and iron ore stocks. One of the groups of stocks that moved sideways was the railroad group.

There is only one generalization that you can find in this experience in France that can be applied to all stocks, and that is over a long period of time, the stocks will move in the general direction in which their dividends move. If the dividends increase, the prices of the stocks will increase. If the dividends are cut, the prices of the stocks will go down. If the dividends remain the same, the prices on nothing more or less than the of the stocks will move generally working capital per share as a

sidewise. This is true during an inflation as well as at all other times.

### Diversification Essential

In investing in common stocks, there are certain rules that have not only been proved by experience, but can be solidly grounded in logic too. The first of these is: Diversify. Don't buy one stock. Nobody knows what is going to happen tomorrow, or the day after, or the year after.

If an insurance company insured a single life on the basis of its table of expectancies, they would have been either 100% right or 100% wrong. But by insuring a great number of people of the same age and condition of health they are sure to be right.

When there is no diversification in investments, there is a very large risk of failure. You cannot be partly right on a single stock. You are either wholly right or wholly wrong. And you are very much at the mercy of luck, because even if the probabilities favor you, you haven't given the probabilities a chance to assert themselves in your experience because you have not diversified.

The first rule, therefore, is to plan to diversify. Decide how much capital you have to invest in a stock program. If you have \$5,000 that you are setting aside every year, and you put \$1,500 of it into term insurance and \$3,500 of it into investments, don't think you have to buy 100 shares of one stock in order to start your investment program. Buy 10 shares of 10 different stocks. Or buy 5 shares of 20 stocks. As a matter of fact, the 5% rule is a good one. If you will limit your

commitment in any one stock to 5% of your capital, you will avoid a great many risks, and you will make progress more surely, if not more rapidly, than by concentrating in one or two issues that may, probably will, but might not, work out. If you invest in 20 well selected stocks, you are pretty certain to work out satisfactorily on balance over a period of time.

In selecting stocks to buy, what you want is a stock whose dividend will increase over a period of time, because dividends are the makers of stock prices.

There is such a thing, however, as buying a stock on its future dividend potentiality — a stock that currently pays no dividend at all. Or there is such a thing as buying a stock that has already discounted a part of the dividend increase that is likely to come about.

Price must be considered, as well as dividend rate. There is such a thing as a correlation between the two. They run together, and there is a time when prices over-discount the dividends in sight, and there are times when prices will increase over a long period of time, and that are reasonably priced in relation to those dividends right now.

### The Classical Price Definition

The classical definition of stock prices is this: A stock's value, or a stock's true price, is the sum of all the dividends it will pay in the future, discounted to the present interest rate. All its future dividends, discounted to the present interest rate, equals the value of a common stock. The trouble with that definition is that nobody ever knows what all the future dividends will be. Therefore, to be practical, we must limit our view of the future dividends to what we can actually foresee.

It is important that you understand that there is such a thing as a definite standard of value that can be applied to your common stocks. Even if there weren't and you made up your own standard, it would be better than to be guided by no standard at all. There are men who have invested

to that method, they will come out right in the long run. There are men who adhere to the standard of book value to determine whether stocks are cheap or dear. It's a superficial and usually unworkable standard but if adhered to in enough cases, it will work after, or the year after.

When you hear those terms "undervalued" and "overvalued" used, look to it and see just what is meant — what standard is being applied. If you find that there is truly an objective standard, then have some confidence in it. But again, the most rational and the most logical standard of value is that based on correlation analysis.

Once you have selected your stocks, though, bear in mind that the standard of value that was used to determine whether they were undervalued or overvalued was some multiplier or some factor applied to a concept of future earnings and dividends. The market is always capitalizing next year's earnings and dividends. It is rarely capitalizing this year's.

It is essential, therefore, in building a successful investment program, that you watch for changes in the value of your investments, and make your own portfolio changes accordingly. Use a recognized investment advisory service which will afford you with a means of supervising your holdings from week to week, month to month. Your capital is important. It can take care of you but it cannot take care of itself.

## \$10,000,000 Bonds of Australia Called for Payment on Jan. 15

The Australian Ambassador in Washington, Sir Percy Spender, announces that on Jan. 15, 1954 the Commonwealth of Australia will redeem \$10,000,000 of its 5% Gold Bonds due July 15, 1955.

The bonds will be redeemed and paid at the office of J. P. Morgan & Co. Incorporated, New York, fiscal agents for the Australian Government.

Sir Percy said that this redemption marked the second major step taken recently by the Australian Government to reduce its external debt and followed redemption of \$20,000,000 of 5% bonds on July 15. "Giving effect to the two large redemptions and to open market purchases, the amount of these bonds outstanding after Jan. 15, 1954 will be \$39,631,000," Sir Percy said. "This contrasts with a total of \$75,000,000 originally issued in 1925."

"Australia's action in redeeming these bonds so well in advance of their maturity is further evidence of Australia's strong financial position and the soundness of the nation's fiscal policy."

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	1950	1951	1952	1953	APP.
Dow Chemical	2.00	1.65	1.11	\$36.	
Mathieson Chemical	3.02	2.36	2.53	38.	
Union Carbide	3.60	3.41	2.72	69.	
New England Lime*	2.51	3.02	2.75	2.36	15.**

\*Includes Nelco Metals earnings (100% owned).

\*\*Dividend on—75c payable Dec. 15th.

Memorandum on request

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## The State of Trade and Industry

Steel Production  
Electric Output  
Carloadings  
Retail Trade  
Commodity Price Index  
Food Price Index  
Auto Production  
Business Failures

Declines in industrial output for the nation-at-large were extended the past week as many manufacturers curtailed operations following the recent reduction in orders. Total production, however, held close to the high point reached one year ago. It should also be noted that the usual Fall acceleration in many lines was much less pronounced than in recent years.

As for employment latest reports note that claims for unemployment insurance benefits continued to be more numerous than those reported at this period one year ago.

This week a report from the Bureau of Labor Statistics of the United States Department of Labor stated that factory layoffs have been rising since mid-year from the low rate of late 1952 and the first half of 1953. It further stated that the increase has been more pronounced in the durable goods industries than in the non-durable goods groups, "reflecting some reduction from peak output levels in the automobile industry, some machinery industries and primary metals." Manufacturing firms let out workers during September at a rate of 15 per 1,000 employed, the Bureau noted. It added, this compared with a rate of 13 per 1,000 in August. Hiring rates declined from 43 to 40 per thousand during the like period.

The United States Department of Commerce currently reports that business inventories rose substantially in September, partly due to falling sales. Stocks of manufacturing, wholesale and retail firms rose to a record \$78,700,000,000—about \$5,700,000,000 higher than a year ago. After adjustment for seasonal factors, inventory figures increased \$600,000,000 during September. This compared with a \$450,000,000 gain in August when the rate of accumulation slowed from preceding months.

A Commerce Department official said businessmen tried to hold down inventories in September, but declining sales offset this. He noted that the month's business sales declined \$700,000,000 below the August total of \$48,200,000,000.

The steel industry has passed its first real market tests with flying colors, "The Iron Age" national metalworking weekly, reports this week. It has hurdled the great transition from sellers' to buyers' market without suffering a sharp decline, and the outlook now is that fourth quarter operations will average 90% or better. With the possible exception of the Christmas holidays, it is doubtful that the ingot rate will slip much below 90% of rated capacity, it points out.

Better still, the newborn optimists are saying that first quarter of 1954 promises to be fully as good as the current quarter—and perhaps a little better. This expectation is based upon notification by important customers that they will be back in the market for large tonnages in December and the early months of next year, it states.

Partly offsetting these optimistic reports is the fact that steel producers can no longer be assured of comfortable order books with backlog piled sky high. Steel purchasing agents have tightened buying policy. And mills must keep selling to keep their furnaces going, observes this trade weekly.

This is part of the "normal" market everybody knew was coming back. Here are some additional "normal" market factors that have made only brief appearances since World War II, continues this trade authority:

Seasonal influences are in full force again. Auto industry's late Fall decline slowed steel buying; preparation for Spring boom will give it a lift. Food industry has been living off inventories; promises to replenish them in the Spring. Farm buying also awaits the Spring thaw. Helping out this Winter is booming toy industry that will use more steel, despite growth of plastic.

Geography is again playing a stellar role in the steel market. Producers have evolved new freight absorption policies so volatile and so sensitive that market participation can change almost daily. Sales officials must now have up to the minute market information at their fingertips. The new freight absorption policies no longer chart an unwavering course, "The Iron Age" declares.

Prices are getting more competitive. High cost producers have been forced to shave their premiums. Freight absorption is in some cases lowering net returns to mills, although regular base prices are holding firm. It is doubtful if there will be extensive changes in base prices until new wage contracts have been signed about the middle of next year. But, as in the past, extra charges might provide an area for competitive skirmishing, this trade paper adds.

Scrap prices have been giving buyers and sellers the shock treatment. After 10 consecutive weeks of decline they rallied

Continued on page 28

### WE ARE PLEASED TO ANNOUNCE THAT

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## Chugging Along on The Road's Left Lane

By A. WILFRED MAY

Observing American Assembly's top-flight "think sessions" on Economic Security participated in by business, labor, government, professional and educational leaders, Mr. May notes authoritative substantiation of expectation our economy will never retrace its course to Right of the Middle of the Road. Cites views on anti-recession possibilities and ideology expressed by Presidential Economic Adviser Burns, and on Social Security prospects by Cabinet Member Hobby.

HARRIMAN, NEW YORK—Highly significant in an American Assembly three-day session on Economic Security here is the spotlighting of the seemingly inexorable push of the American economic machine to a point of no return from the left of "that" middle-of-road. Taking place on the gargantuan estate which served as the private manor of the super-capitalist "empire builder" E. H. Harriman, before he turned it over to Columbia University for grand-scale bull sessions by his New-Fair Dealish son Averell; the direction and conclusions of the discussion alike by the assembled businessmen, educators, legislators and government officials, reveal the degree to which interventionism has become "built-in" our system.

This was most forcefully impressed, at least on this observer, in the views of the Administration's number-one economist, Arthur R. Burns, Chairman of President Eisenhower's Council of Economic Advisers. Coming not from a New Dealer, or other variety of planner, nor from a government official susceptible to Political Campaign Fever, but from a stalwart pillar of the "sound" school widely respected for his reticence; his frank and freely expressed views on the appropriateness and potentialities of governmental anti-recession measures merit wide attention.

### "Spreading" The Economy

Interestingly, Dr. Burns attached the term "spread"—harboring an interventionist connotation?—to economic planning. "The broad problem to which we, addressing ourselves," said the Republican *b r a i n - t r u s t e r* in an informal pow-wow with attending writers, "is how can we spread our economic system so we can prevent a business recession, and how to cushion it if one should develop."

Getting down to specifics, he disclosed: "we are giving serious attention to stand-by authority in the field of housing and in the tax field, as well as in other areas. We are considering re-vamping unemployment insurance policies, tax policies, home modernization, new construction, community enterprises, and examining ways of revising our financial machinery to bolster the economy to avoid a depression."

Dr. Burns made it quite clear that the Council has already traveled considerable distance in the detailed planning of public works as one of several stand-by antidotes against a "possible" recession or depression.

### Alphabet Soup Again on the Menu

Moreover, in discussing program mechanization and implementation, our Republican economic adviser opined that in addition to Congressional action and Execu-

needs over the past 25 years—"the result of changed social and political attitudes"; with re-emphasis that "it is not possible for families to save enough, by their own devices to provide adequate economic security in addition to maintaining a high standard of living."

### Filib From the Depression

One of the background papers here strikingly shows that the popularity and extension of social security by government stemmed from the Great Depression. Frederick Lewis Allen, former editor of "Harper's Magazine," and author of "Only Yesterday," "The Big Change," etc., comments on the surprising lack of controversy over the first Social Security Act. "When the Social Security Bill came before Congress (in 1935) it swept toward passage on a broad tide of acceptance . . . for by general agreement the time for it had come. . . . No other New Deal measure—at least after the first hundred days—drew so few fulminations from the business community and so many encomiums from so many groups."

And our subsequent authority surely has occasioned no halt!

## 1953 Car Loadings to Exceed 1952 Volume

The number of freight cars loaded in the third quarter of this year showed an increase of 6.9% over the volume in the same period of last year, according to the Alexander Hamilton Institute. While this increase was smaller than the 8% gain indicated by the Shippers' Boards' forecast for the quarter, it brought the total number of freight cars loaded during the first three quarters of this year to 29,067,000, or 3.7% above last year's corresponding figure of 28,020,000.

For the fourth quarter of this year, the Shippers' Boards expect a much smaller year-to-year gain in car loading than in the third quarter. Their forecast indicates that the increase will amount to only 1.0%. As a matter of fact, even this forecast may prove to be too optimistic. If realized, it would mean a seasonal decrease from the third to the fourth quarter of only 0.7%. In the past, there has usually been a larger reduction.

There is thus reason to believe that car loadings in the fourth quarter will be somewhat under the volume of a year ago instead of above it. Nevertheless, the number of cars loaded in the last quarter of this year should be large enough to bring the total for 1953 as a whole to about 39,000,000, a figure above the 1952 total of 37,983,000, but below the 1951 total of 40,499,000.

### The Lady Cabinet Members Carry On

Similarly, the Republican Frances Perkins, namely President Eisenhower's Secretary of Health, Education and Welfare, Mrs. Oveta Culp Hobby, maintains there are three props needed for economic security: thrift, employer and employee plans, and [sic] government action on social security. She insists that her Department's legislative program, whose essence is extension of social security coverage to certain groups, is high on the Congressional priority list, with hearings opening this week.

### A Quarter Century of Security Broadening

Likewise indicating the building-in of American "socialization" is the final report of the conclave, brought in by the community's cross-section in attendance, which primarily calls attention to the great growth in Americans' consciousness of economic security

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## Beer Facts

By IRA U. COBLEIGH  
Author of "Winning in Wall Street"

Presenting some information on tap about the brewing industry, and stressing particularly its magnitude and stability.

Today this column continues merrily on its way, this time to treat (what'll you have?) an industry out of season. For you see we're going to talk about beer. As you know, it's the fashion of investment analysts to fairly trip over each other turning out barrels of suds statistics in July and August, when the head is on the brew as well as in the brew; and then to forget all

about this maltese industry till the "dog days" of another annum roll around. This is all wrong. While it's true that people guzzle lots more beer in summer than in winter, it is perhaps equally obvious that a more sober or judicial appraisal of brewing might be made at a season when the foam is flowing at a more leisurely pace.

### Defensive Investments

Another thing, we're drinking more beer as a nation. Back in 1914, per capita lager intake was 21 gallons for each inhabitant of the U. S. This guzzlers' Gallop poll slipped to 7.9 in 1934, but it's foaming back up again and is 18 gallons right now. And remember we've a lot bigger population than in 1914. This Stein statistic brings us to another important factor favoring brewery equities—they're really a pretty fine defensive security. For example, in the "quickie" depression of 1937-9, general business indices slipped nearly 25%, but beer consumption dipped but 3%. If things get tough, there has been historically a pronounced switch from whiskey to beer, as an economy measure.

This is all by way of introduction to the thesis that (1) brewing companies in England have enjoyed a sturdy year-in and year-out investment status for decades, and that (2) some of our American companies are now by way of attaining to a similar investment stature. This has taken a bit of time and doing, principally because, as you may recall, our brewing industry went underground for 15 years. When it re-emerged in 1933, there was a great scurrying into production—so much so that by the 1934 year-end, there were 700 beer making corporations, dozens of them being financed by public security offerings. Many of these were small local companies; some were too small to succeed, others badly managed, and others just couldn't turn out a beer of adequate taste or quality. In any event, the mortality rate was high; and today only 350 brewing companies are extant, and the trend toward fewer and bigger companies is highly pronounced. For example, the 357 brewing companies operating in 1952 had a total capacity above 125 million barrels; and the average output of each brewery was about 255,000 barrels—against 35,000 barrels in 1910.

### All-Year Investment Status

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Tax-wise, beer has been rather kindly treated, perhaps on the theory that it is "the working-man's drink." For instance, beer is taxed (Federally) \$9 a barrel which works out to about 30¢ a gallon; against \$10.50 a gallon for proof whiskey.

Price stability has been pretty characteristic of the beer trade with such increases as have been posted from time to time, dictated primarily by the rising cost of labor. Beer was increased \$1 a barrel in the fall of 1950, and again \$2.20 a barrel in January, 1952. This year, after a Milwaukee brewery strike lasting 2½ months, prices were again raised by many Western companies in September by \$1.50 a barrel and 15¢ a case. Recalculating this latest boost, we note that a barrel will deliver 396, 10 ounce glasses, and the price upping thus is about ½¢ a glass.

While there is nothing dramatic on the horizon to suggest a roaring upsurge of brewery issues on the market, there are a number of companies growing steadily stronger and better; and setting the stage for higher dividends later on. Further, as you know, many very large family fortunes in America were gleaned from successful breweries; so a consideration of shares in this industry may well turn out to be a prudent, and perhaps profitable, pastime.

### Anheuser-Busch

A renowned brewery name is surely Anheuser-Busch with its vast home plant in St. Louis and its premium beers, Budweiser and Michelob, served in taverns and bars, race tracks and ball parks, penthouses and ranch houses from coast to coast. Brilliantly successful in merchandising its products, Anheuser-Busch has recently been busy trying to cut down its transportation costs. To that end it built a 1,400,000 barrel plant in Newark to serve directly the New York market; and only this year increased the Newark capacity by another 460,000 barrels. For the West Coast trade, a 920,000 barrel Los Angeles plant is being built. Even without this, A-B makes 7% of the industry's

You should be apprized of a couple of other major trends sales.

About the common stock, 1953 earnings are being projected at about \$3 (after \$1 EPT), which is splendid coverage for the \$1.20 present dividend and gives some hope of an early increase in rate. A-B will be a handsome beneficiary at the demise of EPT; and for those gifted with imagination and optimism, it is possible to prophesy that Anheuser-Busch common might earn \$5 a share two years hence. In that event some merit might be found in A-B common at its current level of 34. It has paid dividends since 1932. (While this was being written a 5% year-end stock dividend was announced.)

### Pabst

Another distinguished nationwide brewing business is conducted by Pabst, a Blue Ribbon beer and a blue ribbon equity. Pabst ranks among the top four and can turn out over 5 million barrels a year. It also owns a soft drink company (Hoffman Beverages) and Los Angeles Brewing Co., producers of "Eastside" beer.

Financially loaded, with net working capital (1952 year-end) of \$25 million, Pabst has paid dividends regularly since 1941. For 1950, 1951 and 1952, \$1.40 a share was paid. This year they will probably total less, due to the strike. The stock was split three for one in 1949 and is an interesting value today around 21 over the counter.

### Falstaff Brewing Corp.

Falstaff Brewing Corporation owns four breweries, two in St. Louis, one in Omaha and one in New Orleans; and also acquired a small brewery in San Jose, Calif., late last year. It is expanding its capacity consistently, and has the earnings advantage of selling 95% of its products in bottles.

Falstaff has seemed to thrive on competition and in 10 years rocketed its gross from \$12.6 million in 1943 to \$43½ million in 1952.

While perhaps not as solidly entrenched as the two others mentioned earlier, Falstaff has been a good earner and has provided a good dividend return to its shareholders. At the present price (N. Y. S. E.) of 15½, the yield is about 6.6%. Geographical coverage is excellent.

### Jacob Ruppert

In New York the name Jacob Ruppert is renowned, and "Knick-erbocker" beer is on the tips of millions of tongues. But the company has had a bit of rough going, showing for four years prior to 1951, an operating deficit. A more dynamic management and a new beer have helped the company along, but it does not appear that the \$2.72 per share earned on the common in 1952 can be duplicated this year; and dividends will probably be restricted to 25¢ a share for 1953 on the 500,000 common shares due to a loan agreement. This small amount of common does, however, create considerable leverage, and if RUP can cut down its operating costs (which are above average) and hit its market a bit harder, some pyrotechnics might be displayed on the common, now a meek 13.

For a safer position in Ruppert, the \$4.50 preferred callable at \$107 might deserve further examination.

### Other Industry Leaders

Other brew shares you might look into are Goebel, Pfeiffer and Fort Pitt.

Anyway you look at it, beer stocks are gaining stature and the search for good dividends and defensive qualities may well lead to your further examination of today's entries. All I've given you are a few bare facts about beer.

## Management of the Public Debt

By AUBREY G. LANSTON\*  
Aubrey G. Lanston & Co., Inc.

**Bond authority maintains there are several ways in which Treasury can develop broader market for its securities, most important of which is to build debt with fewer issues outstanding in larger amounts. Urges debt reconstruction be speeded by refunding offerings to non-bank institutions in exchange for issues having term longer than one year. Says recent bond market decline resulted from weak fiscal policy of earlier years.**

Since money is the means by which we exchange the products of labor and services, our regard for it has a great deal to do with the condition of our economy.

Now I want to discuss the forces that Treasury cash deficits and surpluses set up in the bond markets and those created by debt funding.

Thereafter I want to say a word about free markets for Treasury securities, go over briefly the situation as it developed during the first half of this year and then with the aid of some charts, I want to talk about the public debt per se.

### The Forces That Treasury Cash Deficits and Surpluses Set Up in the Bond Markets Are Important

I am sure that you know what these forces are but the point is so important I feel compelled to make it because we went through a long period when bond prices did not react normally.

Let us suppose that we have X structure of interest rates. This structure of rates will be made up, as you also know, by the yields offered on Treasury securities of all maturities, by the yields offered on corporate and municipal securities and by the various interest rates charged on commercial loans, mortgages and the like. In sum total, these various and sundry credit instruments—public and private—may represent \$500 billion of indebtedness and the total funds invested in them obviously would be a like amount.

Now, the biggest originator of debt has been the Treasury, so let us assume, for the moment, that all other forces that produce a prevailing structure of rates such as savings and investment and the demand for private credit are frozen momentarily. Then, if the Treasury is forced to finance a deficit of \$5 billion, the market value of the credit instruments already outstanding must shrink to \$495 billion in order to make room for the Treasury deficit. That is, they must lose about 1% in their market value.

Conversely, if the Treasury were to have a \$5 billion cash surplus which was to be applied in debt reduction, the market value of the reduced number of credit instruments to be outstanding must increase; that is, they must gain about 1% in their market value.

Of course, this is a tremendous over-simplification but no amount of elaboration would change the facts. If the Treasury is required to add to the amount of its securities outstanding it introduces a force which tends to cause bond prices to decline. If the Treasury is able to reduce the amount of its debt it introduces a force which tends to cause bond prices to rise.

For a long time these forces were submerged by bond market conditions in which bond prices were held up or pushed higher because we lacked a flexible credit policy. It, therefore, takes time both to understand and to get across to a lot of people certain corollary facts. One, the large fluctuations in bond prices during 1953 have not been the results of undesirably free markets. Two, they were caused in the main by an inappropriate and large cash deficit during business boom and by the only appropriate responses that a sound and flexible credit policy and debt management can give to an unsound fiscal result.

The forces created by debt funding  
Continued on page 24

\* An address by Mr. Lanston before the Academy of Political Science, New York City, November 5, 1953.

# The Dilemma of Balancing the Budget

By HON. GEORGE M. HUMPHREY\*

Secretary of the Treasury

Secretary Humphrey, asserting Federal Government will face a deficit of from \$8 to \$9 billion next year, unless government spending can be substantially reduced, or new and additional taxes levied, points out difficulties facing the Administration in making cuts in defense outlays, since "we must maintain that delicate balance between security from attack from abroad with a strong and vigorous economy here at home." Assails critics of higher interest rates and states more people benefit from higher interest rates than those who pay for it.

We live today in a difficult time. The world is shadowed by the fear of war and destruction. Freedom itself is at stake.

Today America is called upon to save the freedom that we cherish. What principles should rule and guide us as we strive to save the heritage we have?

We must face our task soberly. We must face it patiently and resolutely and we must face it with confidence.

We are sober because we can see no problem that can be solved in an easy way. We do not for an instant see Soviet aggression as some obliging kind of demon that can be disposed of by speaking a phrase or indicating a threat. We do not dream that—here in our own land—the farmer can be helped, the worker protected, the consumer relieved, or the businessman encouraged—by the golden promises of the demagogue.

We are patient and resolute for like reasons. We are realists. We scorn panaceas. We respect the fortitude, the courage, the staying-power of the American people. We show that respect by always speaking the plain truth, as we know it.

And we are confident for precisely this same reason: we believe in the people. We believe in the ingenuity and the industry of the American as resources that no nation on earth can match. We believe in his capacity to work, to save, to invent, to sacrifice, to create, to dream good dreams—and to bring them to true life.

## A Trustworthy Government

To do all these things, the people need but one thing once more: a government they can trust—a government worthy of that trust. That is the kind of government to which we are pledged.

That is the kind of government which we will give.

With this state of mind, we are dedicated instantly and inevitably to achieving a certain state of the nation.

What is this state of the nation we seek?

What do we see to be the great and urgent tasks before us?

I believe they can all be summarized in one statement: a sound economy sustaining a sturdy defense against the enemies of freedom—inspired by a political leadership that is spiritually strong and honest.

Let us analyze this statement.

In the final sense, the health of our economy counts for much more than profits or wages. We assess it not merely in terms of gross national income, balanced budgets, equitable taxes, fair interest rates. We look to it for more



George Humphrey

than homes and cars, washing machines and television sets. We see our economy as the first line of defense for every freedom that we cherish.

No other purpose is worthy of us at this time in history.

No other purpose—material or selfish or partisan—guides this government.

Now what have we done to serve this purpose?

We have a more stable economy than we have had in many years—free and uncontrolled.

The alarming legacy from the past, inherited by the present Administration ten months ago, was arbitrarily ruled by needless controls.

We lifted those controls. They were raised almost as quickly as the voices of mourners crying that it could never be done without wrecking the economy. You all remember that debate. Yet within a matter of weeks, the debate was as dead as the controls.

## Honest Financial Policies

This was not done by magic or oratory. It was done by applying sound, honest financial policies, freeing natural correctives which safely guarded the whole price structure. The proof of their success is that over the period of a year—when this major overhauling of our economy was achieved—the cost of living moved less than one-half of one percent. This was the disaster which our critics had prophesied.

The financial policies making this possible have had a single, simple focus and aim: to give the American people honest American money.

The only thing remarkable about this policy is that many critics and a few demagogues should think it remarkable.

The fact that they do is a sad commentary upon the habits of financial thinking acquired over the last twenty years.

But the people themselves are not amazed. Honesty is an old American habit. So is saving. So is individual initiative. So is industry. So is working with hands and brain. So is freedom. And two decades of financial double-talk have not changed these fundamental characteristics one single bit.

Honest money—the dollar that buys a dollar's worth of goods—is not created by wish or promise or fiat.

It depends upon three things: sound budget policy, a sound Federal Reserve System, and sound debt management.

We have worked toward achieving all of these.

First: We are on our way toward getting the budget of the Federal Government under control as rapidly as expenditures for adequate defense permit. We concentrate on this purpose because we know that indefinite deficit financing spurs the forces of inflation and eventually cheats every family in the nation. Knowing this elemental truth, we have cut the prospective deficit for the current fiscal year from more

than \$11 billion to less than \$4 billion.

## Next Year's Budget Problem

But the next year is even more difficult. The best estimates that we now have show that if our spending continues at the present rate it will exceed our estimated income after termination of the excess profits tax and reduction of individual taxes effective Dec. 31 by between \$8 and \$9 billion.

There are only four alternatives:

We can accept an \$8 or \$9 billion deficit in fiscal 1955.

We can cut expenses.

We can raise additional taxes, or

We can have a combination of the three.

The solution of this dilemma is our most urgent problem at this time.

The answer is simple to state but terribly hard to accomplish. We must first find and then maintain that delicate balance between security from attack from abroad with a strong and vigorous economy here at home. We must balance the cost of adequate military security with the capability of a strong economy to pay the bill. And this must all be reckoned not on the basis of a short and all out effort for a limited period of time but for the long pull not knowing when or if ever the critical moment may appear.

It means the creation of a fluid inheritance of a total debt of more mobile continually modern and effective system of defense and three-fourths matures within less than five years. We have offered the control of its cost within limits which the country can long afford to maintain.

It means an aggressive dynamic economy for that is the very foundation of any sustained military strength.

It means military planning and the control of all governmental expenditures so carefully balanced that we obtain the adequate posture of defense that we require for our security within the limit of our means.

## Reserve Is a Free Agent

Second: The Federal Reserve System is free to ensure effective monetary policy. For many years the Federal Reserve's supporting of government securities at par, to preserve artificially low interest rates, invited banks and other holders of government bonds to sell their bonds—making the debt almost like currency. This, of course, was a sure way to encourage inflation. Today, the Federal Reserve System is free to use its power to provide a supply of credit to meet the requirements of natural demand and avoid excesses leading toward either inflation or deflation.

And Third: We have a program to meet the problem of debt management imposed upon us by the

122 million people—who have invested in savings accounts, life insurance, pensions, annuities, government bonds, mortgages, fraternal and mutual institutions and many other forms of investment for savings.

These, then, are the ways we have sought to make America's economy strong with honest money.

What does the result of such a policy mean?

It means a check in the trend

Continued on page 31

*This is not an offer to sell these securities. They are subject to the registration and prospectus requirements of the Federal Securities Act. Information about the issuer, the securities, and the circumstances of the offering is contained in the prospectus which must be given to the buyer and may be obtained from such of the several Underwriters as are registered dealers in securities in this State.*

## NEW ISSUE

November 9, 1953

# 108,167 Shares

## General Precision Equipment Corporation

### \$2.90 Cumulative Convertible Preferred Stock

(Without Par Value)

**Business:** The Corporation is a holding company, whose subsidiaries are engaged in the manufacture and sale of motion picture theatre equipment, television studio equipment, industrial controls and equipment, and certain consumer products, and in research, product development and production for the Armed Services.

**Purpose of Issue:** A portion of the net proceeds will be used to pay certain current bank borrowings which aggregated \$3,925,000 at October 30, 1953, and the remainder added to general corporate funds.

**Subscription Offer:** The Corporation is offering the New Preferred Stock for subscription at \$50 per share to holders of its Common Stock in the ratio of 1 share for each 6 shares of Common Stock held of record on November 6, 1953. Subscription Warrants will expire at 3:30 P.M., Eastern Standard Time, on November 23, 1953. During and after the subscription period, the Underwriters may offer shares of New Preferred Stock at prices varying from the subscription price.

**Conversion:** The New Preferred Stock is convertible, on the basis of \$50 per share, into Common Stock at \$25 per share of Common Stock (subject to certain adjustments).

**Redemption:** The New Preferred Stock is redeemable, in whole or in part, at the option of the Corporation, at \$53 per share through November 30, 1958 and thereafter at prices decreasing to \$50 per share after November 30, 1968, plus accrued dividends in each case.

**Listing:** The Common Stock is listed, and application has been made to list the New Preferred Stock upon notice of issuance and satisfactory distribution, on the New York Stock Exchange.

**Capitalization:** The Corporation had outstanding or irrevocably authorized to be issued the following securities at August 31, 1953: 10,000 shares Cumulative Preferred Stock, \$5 Dividend Series A 1952 (without par value); 300 shares \$5 Dividend Convertible Preference Stock, Series D (without par value); and 649,087 shares Common Stock (\$1 par value).

At October 30, 1953, subsidiaries had outstanding \$3,925,000 of demand bank borrowings and \$12,100,000 of short term V-Loan revolving credit notes all guaranteed by the Corporation. The V-Loan notes are to be secured upon request by assignment of monies due or to become due under certain government defense production contracts, and the Corporation's guaranty of such notes is secured by pledge of the capital stock of one subsidiary owned by it.

## The First Boston Corporation

Carl M. Loeb, Rhoades & Co.

Wertheim & Co.

A. C. Allyn and Company  
Incorporated

Hallgarten & Co.

## Tucker, Anthony & Co.

Merrill Lynch, Pierce, Fenner & Beane

White, Weld & Co.

Blair, Rollins & Co.  
Incorporated

Hornblower & Weeks

Central Republic Company  
(Incorporated)

F. S. Moseley & Co.

Please send me a copy of the prospectus relating to the \$2.90 Cumulative Convertible Preferred Stock of General Precision Equipment Corporation.

Name \_\_\_\_\_  
Address \_\_\_\_\_

\*An address by Secretary Humphrey before the Economic Club of Detroit, Detroit, Mich., Nov. 9, 1953.

# Dealer-Broker Investment Recommendations & Literature

*It is understood that the firms mentioned will be pleased to send interested parties the following literature:*

**Buying for Tax Selling in 1953**—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

**Canadian Securities**—Monthly Bulletin—Ross, Knowles & Co., 330 Bay Street, Toronto, Ont., Canada.

**Future of Gold**—C. F. M. Williams, 36 West 40th Street, New York, N. Y.—\$2.00. Also available is **Future View Stocks in Accumulation Area**, \$2.00. Both reports for \$3.00.

**Investment Opportunities in Japan**—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

**New York City Bank Stocks**—Comparison and analysis of 17 New York Bank Stocks as of Sept. 30, 1953—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

**Over-the-Counter Index**—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

**Seven Good Business Reasons**—Booklet describing advantages enjoyed by industry in West Penn Electric's service area—Area Development Department, The West Penn Electric Company, Room 918, 50 Broad Street, New York 4, N. Y.

**Small Loan Companies**—Analysis—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y. Also available is an analysis of **Consumer Credit Corporation of Tampa, Fla.**

**Tax Problem and the Insurance Companies**—Study—Crutten- den & Co., 209 South La Salle Street, Chicago 4, Ill.

**To Help You Share in Canada's Growth**—Booklet to acquaint the public with the many investment opportunities in Canada—Investment Dealers' Association of Canada, 170 Bay Street, Toronto 1, Ont., Canada.

• • •

**Abbott Laboratories**—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Columbia Broadcasting System**.

**American Encaustic Tiling Co.**—Bulletin—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

**American Telephone & Telegraph Company**—Table of related values—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

**American Telephone & Telegraph Company**—Card memorandum—Amos C. Sudler & Co., First National Bank Building, Denver 2, Colo.

**Atlas Plywood Corporation**—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

**Atomic Instrument Company**—Analysis—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y.

**Attapulgus Minerals & Chemicals Corporation**—Discussion in "Highlights-No. 24"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

**Big Horn Powder River Corporation**—Analysis—Rutberg & Company, Inc., 31 Nassau Street, New York 5, N. Y.

**Central Vermont Public Service Co.**—Booklet—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

**Chicago & Northwestern Railway**—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

**Cities Service Company**—Analysis—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

**Dobekmun Co.**—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

**Great American Insurance Company**—Analysis—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

**Hanover Bank of New York**—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

**Lunkenheimer**—Memorandum—Dewar, Robertson & Pancoast, National Bank of Commerce Building, San Antonio 5, Tex.

**Metal & Thermit Corporation**—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

**Molybdenum Corporation**—Study—Filor, Bullard & Smyth, 39 Broadway, New York 6, N. Y.

**New Britain Machine Company**—Analysis—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

**New England Lime Co.**—Analysis—Dayton Haigney & Co., Incorporated, 75 Federal Street, Boston 10, Mass.

**Norris-Thermador Corporation**—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

**Philip Morris & Co.**—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

**Riverside Cement Company**—Analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

**Shell Oil Co.**—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

**Snap-On Tools Corporation**—Card memorandum—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

**Sunray Oil Corporation**—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is an analysis of **Central of Georgia Railway, Chicago, Milwaukee, St. Paul & Pacific Railroad**.

**United States Envelope Company**—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

**Webster Chicago Corporation**—Analysis—Shillinglaw, Bolger & Co., 120 South La Salle Street, Chicago 3, Ill.

## The 1953 Crop Situation

By ROGER W. BABSON

Mr. Babson reviews present crop prospects and contends, despite adverse dry weather which has affected grains, near record harvests have resulted. Expects cash receipts from farm marketings to decline moderately in 1954, but holds farmers, on the whole, will prosper.

Early last summer I discussed the 1953 crop outlook, which then was more or less tentative. Now the over-all situation is more clearly defined. Despite the vagaries of summer and early fall weather, the outlook is for the third largest total production of record.

Most of my earlier crop forecasts have been well borne out. For instance, an other billion-bushel-plus wheat crop already has been harvested, with much to spare. Total supplies for the 1953-1954 season would, in fact, prove extremely burdensome were it not for the Government support price of \$2.21 a bushel (national average at the farm). Wheat farmers are taking good advantage of the loan, which means that prices may average somewhat higher. The gimmick, however, is this: An official curb on 1954 acreage! The pipe must be paid!

Below-average crops of barley, oats, and rye have been harvested. Nevertheless, supplies of these grains should suffice for indicated requirements. Higher prices should rule over the longer term. The flaxseed crop of 39,011,000 bushels is slightly above the 10-year average and will prove fully adequate. Although drought sharply reduced soybean prospects, the indicated U. S. outturn of 259,483,000 bushels is 18% above the 10-year average. Including record farm stocks, total supplies will easily suffice for 1953-1954 requirements. Yet both flaxseed and soybean prices may work a little higher as the season advances.

### A Glance At Fall Crop Prospects

Last summer's long, hot dry spell cut the nation's corn prospects, but not enough to cause real concern. The indicated crop of around 3,200,000,000 bushels is slightly under the 1952 outturn, but still 5% above the 10-year average. It should suffice, since the carryover was of average size. The support price of \$1.60 a bushel (national average) will ease marketing pressure. Later in the season, the price support program and the prevailing favorable feeding ratio may result in somewhat higher average prices.

The edible dry bean crop this year probably will be in the vicinity of 17,730,000 bags (100 pounds each), only slightly under the 10-year average, and will easily go around. Prices are under seasonal pressure, but should recover over the longer term. The U. S. potato crop of close to 374,000,000 bushels is about 9% below the 10-year average, but well above normal domestic consumption. My June forecast of a big U. S. rice crop is being well borne out; in fact, it will set a record high. Current price weakness in both potatoes

Continued on page 29

NSTA



Notes

### SAN FRANCISCO SECURITY TRADERS ASSOCIATION

The San Francisco Security Traders Association will hold its annual Christmas party at the Leopard Cafe on Friday, Dec. 11. Cocktails from 6 to 7:30 p.m. and dinner from 7:30 p.m. to 8:30 p.m. At 9 p.m. there will be a special event.



Walter Vicino



Henry Peronon

Reservations should be made by Dec. 4.

The Association also announces that the Nominating Committee has presented the following slate for 1954:

**President:** Walter Vicino, Blyth & Co., Inc.

**Vice-President:** Henry Peronon, Henry F. Swift & Co.

**Secretary Treasurer:** John S. Costello, American Trust Company.

**Board of Directors:** Ralph Brown, Stone & Youngberg; Maury J. Kessler, Wells Fargo Bank & Union Trust Co.; John F. Sullivan, First California Company, Inc.; Earl Thomas, Dean Witter & Co.

### SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York announces that they will hold their annual dinner May 7, 1954 at the Hotel Waldorf Astoria.

### SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Nov. 5, 1953 is as follows:

Team:

	Points
Bean (Capt.), Bass, Valentine, McGovern, Bradley	29 1/2
Klein (Capt.), Fredericks, Murphy, Weseman, Huff	27
Leone (Capt.), Nieman, Gannon, Tisch, Greenberg	26
Krisam (Capt.), Pollack, Cohen, Smith, Strauss	25
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten	21
Meyer (Capt.), M. Meyer, Frankel, Wechsler, King	20
Hunter (Capt.), Brown, Reid, Farrell, Barker	18 1/2
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Ghegan	17
Grawney (Capt.), Boggs, Siegel, Voccoli, Lienhardt	14 1/2
Burian (Capt.), Gavin, Clemence, Montanye, Whiting	16 1/2
Donadio (Capt.), Craig, Gronick, Bies, Demaye	14
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel	11

#### 200 Point Club

Tom Greenberg	223
Ed Whiting	215
Abe Strauss	215
Stan Smith	207, 204
Walt Bradley	206

#### 5 Point Club

Mike Grawney
George Leone
Will Krisam
Roy Klein
Julie Bean

We make good markets in 385

• Public Utility

• Natural Gas and

• Industrial Stocks

your orders & inquiries invited

**TROSTER, SINGER & CO.**

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Members: N. Y. Security Dealers Association  
74 Trinity Place, New York 6, N. Y.

NY 1-  
376

## THE MARKET... AND YOU

By WALLACE STREETE

The supply of stock in the 280 area apparently was too much for the market to absorb at this time and the list this week backed off from the test which isn't too surprising for the second holiday-shortened week in a row.

\* \* \*

However, the vicious handling the list was given in spots on the eve of the Armistice Day holiday was a bit extreme, settling as it did on the tobaccos, some of the rails and aircrafts along with the televisions. It was graphic proof that the path downward is the high-speed one compared to the labored progress made uphill. It was all the more discouraging because the rails had only lately shown signs of waking up to confirm the recent strength in the industrials. That they took the excuse to turn down with gusto was a blow to constructive sentiment.

\* \* \*

### A Traders' Rally?

The action also bred the suspicion that the seven-week long upturn from the September lows was composed far more of traders looking for a fast turn than investment demand that could be counted on to support further progress. International Paper in particular showed the earmarks of this with a series of advancing phases that included a couple of appearances on the new highs list. Yet coincident with the announcement of the 10% stock dividend and the concomitant 10% dividend increase (by making the regular payment applicable to the additional stock), the issue was sold with determination that forced it off rather badly. There have been other cases where it was apparent that the issues were being sold on the good news.

\* \* \*

Davison Chemical was one of the brighter spots of the week, the common rapidly closing the gap when it was learned that W. R. Grace & Co., already holder of 52% of the issue, wanted to enlarge its holdings by a fourth in acquiring 100,000 shares at \$40 each. Prior to the announcement, Davison had been lolling around \$37. Acquisition of the additional shares would bring Grace holdings to 514,500 shares out of the 803,000 outstanding. It was only two months ago that Grace had acquired 180,000 shares, also at \$40, on a similar call for tenders. The cumulative effect of this interest in the chemical company has been to give the stock as better

than-average stability recently although, as is true with most of the listed securities, not able to exceed the enthusiastic peak of \$49 reached last year which, in turn, was the best price recorded since the company was reorganized in 1935.

\* \* \*

### RKO a Leader

RKO Theatres was another feature, chiefly because of the weekend announcement that the 929,000 shares held by Howard Hughes had been sold to a New York group at \$4.75, nearly a dollar more than the market appraisal of the stock. It, too, moved up to narrow the gap, and in doing so became something of a volume sensation with trades of 23,000, 13,000 and 10,000 shares. Here again the price failed to reach the peak it hit in 1951 which was the best seen for the issue since the theatre and picture companies were split.

\* \* \*

Far more vague were the reasons for spectacular activity in United Corp. which included a couple of single transactions of 50,000 and 25,000 shares and a one-day performance of total sales of 96,200 shares. It was generally assumed that trust liquidation had to be involved to account for such large blocks.

\* \* \*

### Run-Up in Corn Products

Equally hazy were the reasons that prompted the normally placid Corn Products at the blue chip end of the list to go into a fillip that included a one-day run-up of a couple of points on meager volume of only 1,300 shares. The best reasons Wall Street could advance were a couple of nebulous merger rumors, plus the fact that declining costs have been helping ease the price pinch for the firm. As a matter of fact mergers, rumors of them and even merely logical ideas of desirable unions have had a disproportionate influence on the market for more than a month but there are some tentative signs that the fad has about run its course unless and until some additional confirmations come along.

\* \* \*

One issue that is still swayed by merger talk in the almost complete lack of specific facts is Mack Trucks which was able to post a new high with determination. Mack has been linked with several other interests in the Street talk and if any of the blends pan out it will be a tribute either to remarkable

faith on the part of a rather large group of traders, or to some poorly kept secrets.

### Industry Vulnerability

On an overall basis, however, the market still continues to suffer from an overdose of extreme caution, the slightest hint of lagging consumer demand constituting enough to send a chill through the issues affected. Gasoline price cuts gave a tremor to the oils. Televisions have been jittery on the accumulation of sets in dealers' hands and some, like Zenith, topple rather easily with each prediction that the holiday gift-buying might not be enough to clean out the inventories. Similarly the downturn in tobacco consumption, already in the records, coupled with reports of surveys that purport to show an even greater lag ahead, gave the tobaccos a hard time. Liggett & Myers and American Tobacco were especially vulnerable this week.

\* \* \*

For the first time in a long while the New York Stock Exchange has a fixture selling more or less regularly at less than a dollar. It is Lehigh Valley Coal which, dogged by deficits on even its preferreds, first slipped through the dollar level two weeks ago. So far it has been unable to rally back into the digit class.

\* \* \*

**The Technical Prospects** held to be necessary. The best Technically, the market has recent day's activity came to solved little except that the only 1,700,000 shares against overhead resistance was as heavy as had been anticipated. A similar attempt to forge through the barrier last August came to grief and resulted in the year's lows posted in September. The inroads made this time by the industrials chewed a bit deeper into the congestion even without the rather important help of similar action by the rails in their sphere. So far there has been nothing decisive to signal the direction of the market over the near term, but classical theory would call for at least a consolidating phase at this point if the market is to overcome the resistance on top of the present level. Tradition also concurs since the month of November hasn't been noteworthy for decisive action over the years.

\* \* \*

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

## COMING EVENTS

In Investment Field

Nov. 16, 1953 (Philadelphia, Pa.) Investment Women's Club of Philadelphia Dinner Meeting at the Sylvania Hotel.

Nov. 18, 1953 (New York City) Association of Stock Exchange Firms Annual Meeting and election.

Nov. 19, 1953 (New York, N. Y.) Purchases and Sales-Tabulating Division of Wall Street, Association of Stock Exchange Firms, Annual Dinner at the Hotel Statler.

Nov. 29-Dec. 4, 1953 (Hollywood, Fla.) Investment Bankers Association of America Annual Convention at the Hollywood Beach Hotel.

May 7, 1954 (New York City) Security Traders Association of New York annual dinner at the Waldorf-Astoria.

June 9-12, 1954 (Canada) Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

Sept. 22-26, 1954 (Atlantic City) National Security Traders Association Annual Convention at the Hotel Claridge.

*This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.*

NEW ISSUE

November 10, 1953

**\$25,000,000**

## Long Island Lighting Company

First Mortgage Bonds, Series F 3 1/2% Due 1983

Dated September 1, 1953

Due September 1, 1983

Price 100.929% and accrued interest

*The Prospectus may be obtained in any State from only such of the undersigned as may legally distribute it in such State.*

**W. C. Langley & Co.**

**Glore, Forgan & Co.**

**Goldman, Sachs & Co.**

**Hemphill, Noyes & Co.**

**Union Securities Corporation**

**A. C. Allyn and Company**

*Incorporated*

**Blair, Rollins & Co.**

*Incorporated*

**Coffin & Burr**

*Incorporated*

**Equitable Securities Corporation**

**Harris, Hall & Company**

*Incorporated*

**Paine, Webber, Jackson & Curtis**

**Carl M. Loeb, Rhoades & Co.**

**Shields & Company**

## Outlook for Business and Securities

By JOSEPH C. BICKFORD\*  
Assistant Vice-President, Bankers Trust Company,  
New York City

After reviewing situation of business as it affects the securities markets, New York banker expresses view second half of 1953 will be better than the comparable period of 1952. Sees no likelihood of increase in interest rates and holds bonds offer better yields with one exception than has been available for many years. Looks for a definite investment policy and further research to provide framework for superior trust investments.

Business profits for the first half of 1953 were the second highest on record. There is little doubt that the second half will be better than the comparable period of 1952 so that full year 1953 results should be fairly substantially greater than in 1952. Looking further ahead, some deterioration is a reasonable expectancy but investment policy should not assume a serious recession in all business.

In spite of some pressures from a heavy new issue calendar over the last month and the next two or three, interest rates are not apt to increase significantly and, in fact, should decline very slightly after this period is behind us.

The quality bond market offers better yields than have been available for many years (except for a brief period in late spring and the summer of 1953). This is true also of money grade preferred stocks although their principal attraction is for the corporate investor. The market for the common stocks has deteriorated more than has business, and we believe they may be held and purchased in most types of investment accounts. More than ever, careful selection and continual upgrading is necessary.

A definite investment philosophy and program supported by quality research will continue to provide the framework for superior investment results.

### Business

Looking back over 1953, it is evident that those who have been predicting a declining business picture have again been confounded. The country, and indeed, much of the Western World, once more has been able to boast of full employment, high levels of capital expenditures, income consumer purchases, and savings. Overall business profits advanced from the steel strike—affected last half of 1952 and were better than in the first six months of 1952. In part, this doubtless reflected a carry-over into 1953 of business which work stoppages limited a year ago. Nevertheless, few doubt that the full year will report profits exceeded only in 1950 when inventory profits were a big factor.

This is not to deny that there have been soft spots, but rather to point up that they have been offset by the gains of others. There have been recessions within the boom; some manufactured goods moved into consumption only at narrowing profit margins, or did not move at all. The coal and textile industries had a tough time and other groups to slide have included farm machinery, and some metals. Space does not permit detailing them all but I am sure we are all conscious of mounting inventories of automobiles, particularly used ones, and all of the oil inventory situation which has

### Interest Rates

I wish that time would permit me to adopt for this talk my associate Roy Reiverson's recent paper on interest rates, but by now many of you will have heard or read it. This still correctly states the fundamentals of our position. The highlights are that the really bad credit squeeze and bond market declines last year resulted from exaggerated fears and pressures which are not likely to be repeated. Corporate and individual borrowings have passed their probable peak for a time, inflationary factors have eased, and an interest rate pattern has been established on a basis around which the Federal Reserve and Treasury can operate in their respective spheres of credit control and debt management. The Federal has been actively supply-

ing reserves as needed by the banking system, both by reduction of reserve requirements and open market purchases. The Treasury is still actively interested in lengthening its debt maturities and faced with more deficit financing while bending its head under the \$275 billion debt ceiling. Nevertheless, its efforts to refund the debt are likely to be temperate and so restrained as not to burden the economy needlessly.

We believe interest rates are on somethings of a plateau. We are in the period of heavy seasonal demands on the banking system and there is a large volume of municipal and corporate financing. The new issue market, therefore, for a time is apt to offer some generous yields relative to risk, reflecting occasional congestion rather than a further substantial permanent rise in interest rates. A flexible credit policy to meet varying needs of the economy and prevent credit stringency is a logical expectation.

### Investment Philosophy

The investment philosophy which appeals to us is that the best units of American business will continue to be profitable—that the economy will grow very substantially over the years, subject, of course, to some setbacks of varying depth and duration. Very few things will stand still, some entire industries will advance, others will decline in importance or disappear. Alpaca suit linings and pure silk stockings are hardly more than memories.

Under this philosophy the prudent caretaker of other people's money in most instances can best discharge his responsibilities through including in the accounts under his supervision substantial proportions of common stocks. Over a period of time favorable results will be obtained from investing the money when received rather than attempting too definitive timing, or trading operations. If there is a regular flow of money into the account, "dollar-cost-averaging" through regular purchases limits the risks of poor timing.

Such a fiduciary's primary responsibility should be informed selection of sound values. He will look for the industries that seem most favorably situated from the viewpoints of the character of regulation, (or lack of it), demand for their products and ability to supply them at suitable prices. Then select the best companies in these industries, those with able managements, good products, excellent research facilities, a sound program for developing their full potentials.

There is no secret about how these are chosen. It is by good hard work, a continual examination and rejection, constant striving to know the companies better, to keep in frequent touch with their managements, know them and their probable successors well, to understand their competitive positions. It involves constant making of estimates of present and future earning power, revised for assumed recessions and subsequent prosperity, or poor conditions peculiar to a particular industry or company.

### How to Invest Today

I have tried to brief an investing policy which minimizes the question of timing but you will ask, and properly, "today is a time, and I have to make a decision as to what to sell and what to buy, or to do nothing."

There is no ready answer to this because so much depends on the position and requirements of the particular account and the tax problems and personalities involved. Parenthetically, beware action solely because of these last two factors!

First of all, a do-nothing policy is seldom the correct one unless you are completely satisfied that

the account is in the best shape possible, and that it holds the maximum possible of the securities you like best and not any that you do not like, and that the proportions of bonds and stocks and industry participation is proper. Perhaps desirable changes cannot be made, but you should try.

If you have a new account come in—all cash—our advice is to draw up a long-term program and get started on it right away. Buy a third to one-half of your eventual stock position now and review from week to week or month to month, to determine as to the balance. Keep some buying reserve for a while, but do not postpone the remaining investment forever, waiting for that golden buying opportunity, i.e., the bottom of the market. The chances are against recognizing or taking action then.

Next, what to sell? In most cases you will recognize these. Some you will have lived with too long to forget. In general, we believe you should work continually toward an upgrading of quality. Sell the weakest companies, those which seem most vulnerable to the increasingly competitive conditions in prospect—the industries and companies which are losing ground on a short- and long-term basis—those which are merely "static." Minimize your cyclical risks now when there is every indication we are certainly nearing the end of a long prolonged boom "plateau." Rid yourself of the poorly managed companies which have profited only in an economy stimulated by the "needles" of war, defense, and 20 years of an Administration wedded to inflation. In our own case, unless the company is exceptional, we have to have very compelling and special reasons to hold equities of companies which do not provide goods and services for which the demand is increasing more rapidly than the over-all economy.

### What to Buy?

Your third question is "what to buy." And if you are feeling particularly "ornery" by now, you will remind me that I have not told you, you may not be able to buy cheaper later on. Well, here we come back to our theme song again. It is a rare market that does not offer some sound values which sooner or later will be translated into continuing and increasing dividends. There are a number of industries within which can be found a sufficiently wide variety of these values to satisfy the needs of any account.

The oils are the group to which we give the greatest emphasis.

From the standpoint of availability of quality companies it is excellent, only the chemical group of listed stocks approaches it in aggregate value, and there are some very good unlisted equities.

The stocks have been unpopular lately and their markets reflect concern as to inventories, possible crude and product price weakness, and the threat of a return of Iranian oil to the world markets.

We believe the market appraisal is over pessimistic and that these are short-term considerations in an industry which has much of what we want in investments.

Good current earnings and dividends, great raw material wealth supporting a manufacturing and distribution system serves a growing need for products of increasing versatility and value. Available securities offer varying degrees of combinations of income and capital gain potentials.

It is an industry which is soundly financed—to an amazingly large extent from retained earnings—offers examples of superb management, sound research, exploration, development, and merchandising.

Also on our hit parade are the chemicals, second only to the oils from the standpoint of availabil-

ity, offering a never-ending development of new and existing markets through superior research feeding on itself. Here a half-dozen companies stand out but there are others. In general, capitalizations are sound but the variations are great—reflecting huge units and rapid growth requiring more financing in all its forms to bridge the gap between corporate needs and investors' appetites. You will need to be careful in your selections in this field, for though many will be important beneficiaries of excess profits tax relief, there has been some building of capacity for future needs, (just as in the oil industry) and the market in some cases places a full valuation on near-term earnings prospects.

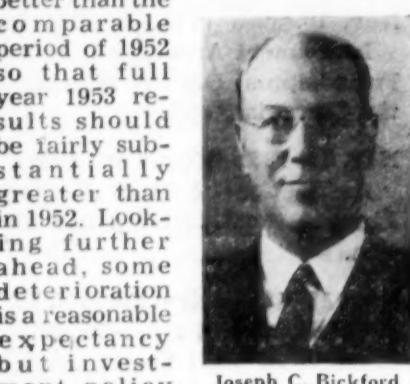
We like the common stocks of public utilities and insurance companies, and tend to think of them as a package which offers better value for "preference" money than preferred stocks. There are a great many good utility stocks which combine the ability to pay present dividends under less favorable conditions, to grow with their communities and provide an increasing return over a period. The regulatory atmosphere is favorable or improving in some areas, and certain companies still have the ability to earn a generous return if allowed. Investments in this industry should be selected with a critical eye on the character of the communities served and the quality of regulation.

Earnings of insurance companies follows reasonably predictable patterns reflecting in large degree the rate making procedure which is based on previous experience. For short periods underwriting results may be adversely affected by the whims of nature, as a hurricane, by a major disaster such as Worcester, a disastrous fire, etc. There may be uncomfortably long periods of adverse experience, such as we had until recently in automobile lines. There may be a nationwide competitive situation which, as in the past month or two, resulted in nationwide cuts in rates below those to which experience would entitle the companies. For this reason, we prefer multiple line companies to those specializing in one or a few allied fields. Basically, however, the rate structure and supervision is designed to allow profitable operations on a broad enough basis to assure availability of sound insurance for the country's needs. This does not guarantee profits to all but it does afford a comfortable margin of safety for the ably managed concern.

Time does not permit a complete cataloguing of all our likes and dislikes or to detail our ideas as to diversification. However, I am sure you will find a broad list of equities which will attract you on both an industry and individual company basis. Certainly, if you subscribe to our investment philosophy and have confidence in the world's most dynamic economy, you will not fail to have participations in electronics, in instrumentation and controls, and in the wonder metals of today and tomorrow. You will own stocks of forward looking companies with the resources for the discovery, development, production and distribution of the future.

## W. C. Holcombe With McCarley & Co.

GREENVILLE, S. C. — W. C. Holcombe has become associated with McCarley & Company, Inc., South Carolina National Bank Building. Mr. Holcombe was formerly an officer of McAlister, Smith & Pace, Inc.



Joseph C. Bickford

\*An address by Mr. Bickford before the American Bankers Association 27th Western Regional Trust Conference, San Diego, Cal., Oct. 30, 1953.

# Little Change in Domestic Consumption in 1954

By NATHAN M. KOFFSKY\*

Bureau of Agricultural Economics, U. S. Dept. of Agriculture

**Agricultural Department economist, assuming no change in consumer psychology, sees little change ahead in the domestic demand for products. Finds demand in some segments of the economy leveling off and in few instances declining, but looks for only a small reduction in economic activity in 1954. Indicates business inventory position is most sensitive and vulnerable segment of the economy, but holds rate of accumulation has been declining. Looks for some decline in private investment outlays.**

For the past three years this factor in the gradual transition of Annual Conference has met in a setting in which there was considerable assurance that prospective demands would increase in the year ahead. Rising demands came from all sectors of the economy — from the Federal Government for an expanding defense program, from State and local authorities for schools, highways and other public construction, from business for new plants, modern equipment and larger inventories, and, as incomes rose, from consumers who increased their expenditures for food, housing and other goods and services which make up a rising standard of living.

Now, with demands from some segments of the economy leveling off and in a few instances declining, there is a real possibility that the total demands on the economy in 1954 may be less than in 1953. Yet, the total reduction in economic activity and employment that appears to be in prospect for 1954 is small. And its restrictive effect on the flow of income to persons may well be offset by lower income taxes starting next January. The continued rise in wage rates in some sectors, and an increase in unemployment compensation payments. Total consumer income available for spending in 1954 is likely to be about as large as in 1953, and the domestic demand for food and other farm products also should be about as good.

Demands on the economy have increased sharply in the past year. The flow of expenditures by government, business and consumers rose \$26 billion on an annual rate basis from the third quarter of 1952 to the third quarter of 1953, a gain of 7½%. In the preceding year, the increase in total expenditures totaled some \$13 billion, a gain of only 4%. The rise in demand this year was matched by an increase in output. Price changes have been small. The Consumer's Price Index is currently less than 1% above a year ago, and most of that was due to rising rents and charges for other services. Retail prices of food and clothing are down slightly. The Wholesale Price Index is currently lower than a year ago, but by less than 2%. Drops in wholesale prices of farm products and processed foods were almost offset by slightly higher prices of industrial commodities.

While part of the increased output in the third quarter over a year ago reflected slightly higher levels of employment and a bit longer work-week, a very substantial part was due to a sharp gain in productivity per man hour. This has been a very important



Nathan M. Koffsky

demands would increase in the year ahead. Rising demands came from all sectors of the economy — from the Federal Government for an expanding defense program, from State and local authorities for schools, highways and other public construction, from business for new plants, modern equipment and larger inventories, and, as incomes rose, from consumers who increased their expenditures for food, housing and other goods and services which make up a rising standard of living.

The annual rate of Federal expenditures for national security programs rose \$2.3 billion — only 9% of the increase in total expenditures.

The rate of State and local government expenditures, mostly for schools, streets and highways rose \$1.8 billion — 7% of the total.

Investment outlays, including increases in each of housing construction, new business plant and equipment, business inventories and United States investment abroad, rose almost \$6 billion — 22% of the total increase.

The rate of consumer expenditures rose \$16 billion — 62% of the total. Consumers spent about \$6 billion more for automobiles and other durable goods, over \$4 billion more for food, clothing and other nondurables, and almost \$6 billion more for rent and other services.

It is clear that the business boom of the past year has not depended significantly on expansion in the defense program. In fact, programs for the national security now account for a slightly smaller percentage of our total economic activity than a year ago. It is also clear that to a large extent the past year has seen a consumer boom. Consumer incomes, after taxes, have risen some \$13 billion, despite the decline in the income of farmers. In addition, consumer credit outstanding rose about \$4 billion, mostly for the purchase of automobiles. Thus, the increase in incomes and the greater use of credit have approximately equaled the rise in consumer expenditures. The savings rate of individuals as compared with income has declined a little from a year ago but this probably reflects more the increase in consumer indebtedness rather than a lessening in the accumulation of liquid assets.

What are the demand prospects in the year ahead? First, let us add up such information as we have about demands from the government sector. Spending for national security programs in the current fiscal year is likely to be less than in the fiscal year which ended last June. In fact, the rate of security outlays was reduced \$2 billion in the July-September quarter this year from the previous quarter. Whether or not further reductions are realized as presently planned, depends largely on developments in the international situation, and thus, subject to a considerable degree of uncertainty. It should be noted, moreover, that most of the reduction in defense outlays for the current fiscal year, as indicated in the Budget Review of Aug. 27, was accomplished in the third

quarter. While further declines some decline in private investment may well be realized during 1954, the steady rise in State and local government expenditures will be an offsetting factor amounting to \$1½ billion or so.

Some decline in private investment outlays appears probable. Business investment in new plant and equipment, which has been stimulated by rapid tax amortization on defense-related facilities, has been appreciably higher so far this year than last. Much of the defense-related expansion in capacity will be completed by the end of this year, unless new considerations stemming from international developments should require otherwise. The productive plant of American industry has generally been greatly enlarged in recent years and it might well be expected that business outlays for plant and equipment may be less next year than this. The survey of anticipated capital expenditures conducted by the Securities and Exchange Commission and the United States Department of Commerce indicated a 5% reduction in the fourth quarter of this year from the third. Yet there are good reasons why any further decline would be small. The shift to a more competitive economy places sharp emphasis on cost reduction even though there may be less on expanding plant capacity. Large depreciation reserves and undistributed earnings are available to finance this. Furthermore, the boom in commercial construction which is following the trend to the suburbs seems likely to continue in 1954. In view of the continued cost-price squeeze in agriculture, farm investment in buildings and equipment may remain at reduced levels.

Nonfarm housing starts have declined since last spring, more than is accounted for by seasonal changes. The current annual rate of starts is somewhat under one million units compared with a rate of over 1.1 million units last April. While residential construction may decline some further over the year ahead, the formation of new households continues large at a rate of some 950,000 a year. Recent reports in the press indicate that mortgage financing is becoming more readily available.

#### Inventory Position

The business inventory position is perhaps the most sensitive and most vulnerable segment of the economy. Through most of 1953, there has been a considerable rise in business inventories, which are \$6 billion larger than a year ago. But the level of business sales has also increased proportionately and the ratio of inventories to sales is now about the same as a year ago. Although the inventory ratio is higher than in most other postwar years, it is substantially below the prewar ratio. It seems quite unlikely that without further expansion in the economy, business will continue to accumulate inventories next year. This will likely be a minus factor for the economy as a whole since part of current production is going into inventories. Yet, unless business sales turn down significantly, there is not likely to be real pressure to reduce the over-all level of inventories, although some items such as used automobiles may be affected. One encouraging factor is that the rate of inventory accumulation has been slowing in the second half of 1953.

There does not seem to be any significant change in view in our net trade position with foreign countries. Imports are running higher than a year ago, and total exports are also larger, despite the reduced level of agricultural exports. If foreign aid continues in the next fiscal year, some countries will continue to accumulate dollar holdings.

Turning to the consumer sector,

greater than their sum, particularly if a feeling of pessimism should pervade the economy. Yet it seems quite logical that this need not be cumulative. Some adjustments have already been made — the reduction in defense outlays in the third quarter, the possibility that most of the reduction in business plant and equipment outlays is occurring in the current quarter, the gradual decline in housing starts since earlier this year, and the slackening rate of inventory accumulation in recent months. There is real prospect that such others as may occur will also come in piecemeal fashion. While the human equation — consumer behavior — is still pretty much unknown, there is little to suggest a tightening of the purse strings, if incomes are maintained. Almost 4 million new babies each year are not conducive to increasing the savings rate. And, if there is one thing that stands out in the broad sweep of our history, it is that the American consumer increases his takings of goods and services as fast as he can — and gives ground very reluctantly and only under pressure.

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## Joins Brown Bros. Harriman

(Special to THE FINANCIAL CHRONICLE)  
BOSTON, Mass. — Edwin Hillis has been added to the staff of Brown Brothers Harriman & Co., 10 Post Office Square.

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November 10, 1953.

\*An address by Mr. Koffsky at the 31st Annual Agricultural Conference, Washington, D. C., Oct. 26, 1953.

# No Serious Business Dip in 1954

By PAUL H. NYSTROM\*

Professor-Emeritus, Columbia University  
President, Limited Price Variety Stores Association  
Chairman, Central Council of National Retail Associations

Veteran marketing specialist, in appraising mass distribution efforts points out, despite measures already taken, distribution costs have increased—but says they would be much higher without these measures. Warns there are indications of a slight business downturn, but holds a minor recession may be means of house cleaning and re-establishment of business on a sounder basis.

Mass distribution is the co-relative of mass production. Where there is mass production there must be mass distribution. Mass distribution wouldn't be possible without mass production.

Both mass distribution and mass production are the results of the progress of the industrial revolution in which power and machines have almost completely replaced hand production. Making goods by mechanical methods made it possible to reduce unit costs. This, in turn, encouraged the sale and distribution of goods over wide areas. The need for markets brought selling, sales organization and advertising into use.

Over the years, down to 1939, but not since then, unit costs of production have been sharply reduced by such methods as:

(1) Suitable location of the plant in relation to the availability and economy of raw materials, power, labor, transportation and markets.

(2) Machine production operated by power from water, steam or electricity, with atomic power just over the horizon.

(3) The use of machines, called machine tools, that combine processes and directly turn out finished goods or parts of goods with relatively little intermediate processing.

(4) Continuous flow of production, from the incoming raw materials to the finished goods ready for delivery.

(5) Automatic controls of processing that regulate the rates of output, that check the quantities and qualities and eliminate the seconds and imperfections of production.

(6) The modern trend towards automation, or push-button production, now in its beginnings.

These steps, more or less generally applied to factory production, have not only greatly increased unit output, but, in most industries, particularly down to 1939, were successful in reducing unit labor as well as other costs of production.

## Wage Pressures

Since the opening of World War II and in nearly all of the years down to the present, wage pressures supported by government or political connivance, minimum wage regulations and Walsh-Healey directives, together with collective bargaining, so-called, have caused the wage rates in this country to run wild. Nor have employers had the will to oppose these increases for they have generally stood to lose nothing by granting them because there were scarcities of goods and the government and the people have been ready to pay any increases in

\*An address by Dr. Nystrom before the Boston Conference on Distribution, Boston, Mass., Oct. 19, 1953.

prices, including substantial profits above all costs, for the goods.

Just as there have been and still are intensive efforts to increase productivity in the production industries, there have, similarly, been intensive efforts to reduce the costs of distribution. Some progress has been made in the application of power, in mechanization, in planning for continuous flows of goods and even in automatic controls applied to the processes of distribution, but the results in the distributive trades have been neither so important, nor so dramatic, as they have been in production. As a consequence, the costs of distribution are, with some notable exceptions, higher than the costs of production. Moreover, distributive costs are now generally higher than they have ever been before. This is not to say, however, that there have been no gains from the intensive efforts to reduce costs in distribution. Had it not been for these efforts, we can be sure that such costs would now be much higher than they are at present.

Let us consider a single, but the most important item of expense in distribution, labor costs. During the last 13 years, hourly wage rates in factories have increased 175%. During the same period the actual factory output per man-hour has increased but 27%. This staggering difference between increases in wage rates and increases in productivity in production has been added to the factory prices of goods. There was no other way in which these increases could be covered.

There have, of course, been similar wage increases in the distributive trades. But the increases in productivity per man-hour in distribution have been even less than in the production industries. As a consequence, a larger share of the increases in wage rates has had to be added to the costs of distribution and eventually to the prices of goods. In view of these cost increases, it is truly amazing that consumer prices are only 90% plus higher than they were in 1939. This leads to the belief that labor's gains in wage rates have not merely been reflected in 90% plus higher consumers' prices, but that they have also profited from the intensive efforts made by employers to reduce expenses of operation in all other classifications of expenses.

I am sure that I need not say to this audience that the wage increases gained by labor during the last 13 years, unaccompanied as they have been, by any proportionate increase in man-hour productivity, is one of the principal causes of the inflation that this country has experienced during this period. Not until wage rates can be stabilized and wage increases made proportionate to increases in man-hour productivity, can we possibly escape from the danger of further inflation which, if not stopped, will lead to national disaster.

## Mass Distribution for Small Concerns

From the announced title of this paper it is possible that it might be assumed that it was to deal with large distributive es-

tablissements such as department stores, mail order houses and chain stores. I would like to make the point very clear that mass distribution is served by small as well as by large concerns, by small stores, as well as by giant department stores.

The inclusion of small concerns is as necessary in mass production as it is in mass distribution. Wherever production is carried on in every factory or processing plant whose output goes out into the markets of the country, that factory is a part of the system of mass production regardless of its size or the character of its ownership.

So mass distribution includes not merely the great retail concerns, but also the 250,000 wholesalers, manufacturers' sales branches, petroleum bulk distributing stations, brokers and assemblers, as well as the 1,700,000 retailers and 863,500 service establishments in this country. There were 911,000 stores in 1948 whose sales were less than \$30,000 per year. There were 669,000 stores that had no paid employees at all. These, by the definition accepted here, are parts, essential parts, of the modern system of mass distribution. This myriad of small stores are the outlets for large quantities of nationally advertised and branded goods. These shops serve hundreds of thousands of customers. They are, in turn, the customers of wholesalers or distributors who, with their customers, are as highly organized in carrying goods to every nook and cranny of our economy as the biggest mail order house, the largest chain store system, or the most enormous department store. These channels of trade, these many stores of all sizes and of hundreds of kinds, constitute mass distribution.

## What Is Going On in Distribution

In the brief time at our disposal the appraisal of distribution must consist of a number of observations of what is going on without supporting data.

(1) Total retail sales for 1953 will probably amount to about \$175 billion, that is, from 3% to 5% higher than the retail sales in 1952.

(2) Supermarkets are now at the top of all retail institutions in volume of sales. Their sales are said to amount to about \$20 billion annually. In recent years they have attracted more attention than any other kind of retail store. There were food markets, somewhat like supermarkets, long before the 1930's. But the recent rise of supermarkets corresponds to a rising trend in food consumption as well as higher labor costs. Supermarkets are departmentalized retail food stores with sales of \$350,000 per year or more. Food stores using similar methods but having smaller sales are called superettes. Supermarkets have found that by operating on a self-service basis, their costs of operation could be materially reduced, perhaps 25% below that of the older type food stores, offering sales service, telephone and delivery services and charge accounts.

The cost reduction, however, is somewhat problematic, for the reason that it is the result of shifting the burden of serving the consumer from the store to the consumer. But consumers love it. At least a great many of them do. What is their outlook? Some students of this branch of trade are beginning to ask whether there may be limits in their growth, and, if so, where those limits are and when they may be reached.

## Supermarkets

Every other method or procedure ever tried before has had its limits of profitable application. The limits are the points where diminishing returns set in. Diminishing returns have obviously been reached in some supermarkets,

but, in general, the trend towards more sales through supermarkets seems not yet to have reached its peak.

(3) Self-service and self-selection such as offered in supermarkets is being attempted in many other branches of trade, such as variety stores, drug stores, department stores, hardware stores, and even in a few specialty shops. There have been both successes and failures. The general trend seems to be towards more of it.

(4) The movement of retail trade towards suburban trading centers has at least a 20-year background, but has become highly significant in the years since World War II. Much of the suburban retail development has come with the establishment of supermarkets and branches of large department stores.

This movement towards suburban trading is, in part, due to the growth of population and the necessary outflow of people from the dense city centers to the outer environs. Probably still more important as a cause has been the increasing number and use of automobiles. There are now more automobiles in this country than telephones. Housewives would much rather go shopping in their cars, than ride in the more or less dilapidated and over-crowded transportation systems that now lead into the traditional downtown centers. Moreover, there is almost constantly a distinct tension about urban transportation due to frequent slow-downs and almost constant labor controversies. The rise of suburban stores with ample parking space makes suburban shopping practical and easy.

Suburban stores have, however, begun to encounter new problems, such as, changes in the patterns of shopping hours, the need to keep open evenings, the absolute necessity of high tension publicity to attract trade from a wide radius. The early supermarkets were very simple, warehouse-like businesses, often established in abandoned factory buildings. Now, the supermarket requires special architecture, modern lighting, air conditioning, refrigeration of great capacity to hold perishables, and artistic color schemes that beautify the place of business and make it an attractive place to shop. All of these improvements cost money. The expenses of maintenance and of operation of supermarkets is about double what it was back in the 1930's, and the end of these expense trends is not yet in sight.

(5) Mail order sales, never a substantial percentage of total retail sales, is perking up in unexpected quarters. Formerly most of such sales were made to people living in rural and small town areas. Recent reports indicate that there is a considerable increase in mail order sales to city dwellers. Apparently there are many urban customers who would rather shop from a catalog than brave the traffic conditions in shopping at the nearest retail centers.

(6) The modernization movement in retail and wholesale establishments has made remarkable progress during the last 7 or 8 years, and promises to extend well into the future. Modernization means not merely the improvement of the building, but also of the equipment and fixtures, not merely for greater efficiency, but even more importantly, particularly in retailing, to try to recover some of the conditions which in the years before World War II made housewives think of shopping as fun, instead of, as at present in too many cases, as a nerve-wracking test, or a sort of battle of wits as well as of brawn.

(7) Pre-packaging of goods by manufacturers, particularly in transparent packaging materials, is expanding rapidly. Pre-pack-

aging, when well done, makes selling easier, speeds sales, and goes far towards satisfying consumer requirements. Pre-packaging can help to reduce pilferage. By including in the one package the things that should go together, the amount of the unit sales can be increased. Pre-packaging is now used extensively in the sales of foods, produce, clothing, hardware, musical instruments and even furniture.

(8) House-to-house selling, never in recent years a large proportion of total retail sales, has recently shown remarkable vitality in some lines of goods and promises to continue not merely to hold its own, but to show gains in the years ahead. If there should be any business recession in coming months, watch the house-to-house business grow.

## Efforts at Expense Control

(9) Intensive efforts to control expense and to reduce distribution costs goes on. The successful efforts have generally been applied to the reduction of expenses in detailed operations. At best, the savings from these efforts have usually been small, but the continued effort all along the expense front means the difference between success and failure. There are some who believe that substantial progress in expense reduction in distribution awaits the discovery in some practical and economical form of cost accounting applicable to distributive operations. There is widespread interest in the possible use of electronic devices to count, measure, record and control distributive expense in relation to output.

(10) The "Do-It-Yourself" trend has brought enormous sales to many retail stores. It is estimated that the sales that fall within this movement will approximate \$4 billion this year. The goods sold under this influence include everything needed for gardening, home painting, paper hanging, house repairs, carpentry, plumbing, and even for the making of household equipment and furniture. It is estimated that 75% of all paint and 60% of all wall paper sold to consumers this year will be to people who do the work themselves. There are said to be work shops in over 11 million homes. There has been a boom in the sale of small power tools. The sales of these tools in 1947 amounted to \$6 million, but in 1952 they amounted to \$80 million.

Part of the Do-It-Yourself movement may be due to the fact that the home makers of today, when they were in school, had courses in manual training and home economics. Now, as home makers, they are applying the knowledge they gained in school. Many of the men in service during World War II learned to work with tools and are now putting that knowledge to good use in their own homes. There are some who believe that the sale of Do-It-Yourself goods represents the effort of home makers to circumvent the high costs of union craftsmen who would otherwise do most of this work.

(11) Credit sales in all forms are increasing, but more especially in installment payment sales. This form of credit selling seems to be the only practical way in which furniture, home furnishings, appliances and other heavy goods can be successfully sold. Consumer credit is as essential to distribution as commercial credit is to manufacturing and wholesaling. Credit sales will certainly continue to grow whenever merchandise unit prices are high enough to bear the additional costs of carrying charges. Bankers are increasingly getting into the credit selling act. A recent report indicated that banking facilities are now offered as a means of carrying charge accounts for retailers in over 60 shopping areas



Paul H. Nystrom

at a cost of 5% of the amounts collected for their services.

(12) A business recession or readjustment may not be inevitable but it certainly looks now as if it may occur, perhaps in 1954. The economy of this country is now on a high plateau as a result of a 14-year inflationary boom, the longest of such inflationary periods in the history of this country. A look at the past history of our economy shows a continuing recurrence of ups and downs in business conditions. There are no serious students of business cycles who do not expect these changes to continue. The present high levels of employment, high personal incomes and record sales may continue for several months more. The present indications of any immediate recession are minor. There may even be some additional business increases before the turn comes. But a good many businessmen as well as economists believe that it may occur during the next 12 months. Strange as it may seem, there are those who would like to see it come before the next election in November, 1954. If it does come, it need not be disastrous. It may even be the means of a house cleaning and a reestablishment of a business on a sounder foundation to take fuller advantage of the next rising period in the business economy.

Some of the indications that a readjustment may not be far off are: (a) The slowly rising business failure rates. (b) The increase in the number of areas in which employment is gradually declining. (c) A reduction of 17% in the total farm income that has occurred since 1951. (d) There is a decline in the exports of many of our American produced commodities. (e) Most noticeable is the current reduction of several billions of dollars' worth in defense production. We certainly should not regret the decline in defense production if we may assume that it is the first step towards the reestablishment of a peace economy. But the combination of all of these factors is certain to exert a retarding influence on total sales through the channels of distribution.

#### Sharpening Competition

(13) Sharpening competition characterizes most business activities in the American economy today. One evidence of this is the expanded expenditure for and the more intensive use of advertising and sales promotion, the reorganization and employment of more salesmen to seek out new accounts that up to two or three years ago were considered unimportant or even undesirable. No one is turning down any business that promises a profit in these days.

We are witnessing the return of salesmanship and customer service as a replacement for mere order-taking. More books are being sold on salesmanship than ever before. Courses on selling offered by schools and colleges are better attended than ever before.

In addition to the increasing interest and pressure for selling we have all seen the beginning and are likely to see a tidal wave of all sorts of methods and devices of sales promotion, such as the extended use of trading stamps, sales contests, merchandise clubs, give-away programs and a wide variety of sales bait. We are now witnessing and we shall see even more of the most hysterical commercials on radio and television that have ever been tried since these media were invented. Phony huckster methods will probably come out badly, but it is a pity that the money expended in these methods will be wasted.

(14) Finally, but most important, a decline in birth rates during the next decade seems inevitable. The changing character of the population of the country proves this. The high statistical

## From Washington Ahead of the News

By CARLISLE BARGERON

It is literally burning up his enemies but the fact is that Senator Joe McCarthy is coming to be more appreciated by the Eisenhower Administration. There is a growing tendency to quit kicking him in the pants and to realize that he is a badly needed political asset. His emergence to the Administration's good graces, at least its near good graces, constitutes a highly laughable story, too, on the ups and downs of Washington politics. It was only a few months ago that the White House joined with the Senator's enemies in a clever maneuver that seemed for a time greatly to diminish his effectiveness. There is no doubt about it, and I don't know just how apparent it was to the general public, but they had the Wisconsin boy on the floor taking the count.

It was about as shady a piece of work as I have ever seen but presumably fair and square in the great game of politics. It revolved around his employment of Dr. J. B. Matthews as his committee's Chief of Staff.

The press of the country rather generally went to work on an article Matthews had written on Communism for a magazine. In a display of distorted reporting that has since been the subject of considerable discussion by editors and has caused a lot of red faces, Matthews was represented as having attacked the Protestant clergy. I read the article which few of the editors had done and Matthews had done no such thing.

A clever mind at the White House seeking to make a play to the "liberals" saw the politico-religious possibilities in the situation and sold the President on it as a means of getting McCarthy once and for all. The picture was created of a Catholic (McCarthy) supporting an attack on the Protestant clergy. It was sure fire.

Even the level-headed Senator Harry Byrd jumped into the general denunciation of McCarthy. There is a story around that the White House got three prominent, politically active clergymen—a Jew, a Catholic and a Protestant—to write the President a letter of indignation about McCarthy; that the White House solicited these clergymen to take this action; that they did not initiate it. You can imagine that this would go against the President's grain, but he is constantly being pressed to do this or that as necessary in politics.

It looked as if the Wisconsin dynamo were through. You may

birth rates of recent years were merely the logical result of the high marriage rates since 1941 and particularly since 1945. Marriages and the establishment of new homes are now falling off sharply due to the smaller number of young men and women who are reaching marriageable ages. They were born in the early and middle 1930's, when the birth rate was very low. There are fewer people in this age group. Moreover, the couples that so blithely undertook the responsibilities of parenthood in the early 1940's and again from 1945 to 1953 are clearly beginning to hesitate a bit on the addition of a third, or fourth, child. The birth rates have already sagged considerably below the peak years of 1946 to 1949.

A decline in the percentage rate of births and even in the absolute number of babies and children in our population is likely to occur in the next five to ten years. If this forecast is correct, then manufacturers and retailers who are now reaping a golden harvest from the enormous sales of infants' foods, toys, play-things, clothing and other goods that children require, had better watch their step and look for alternatives to take the place of these goods when their sales start to decline. One method that will appeal to many retailers will be to continue to have the merchandise that children will require year by year as they grow up to adulthood.

#### Joins F. S. Yantis Co.

(Special to THE FINANCIAL CHRONICLE)

ELGIN, Ill.—Raymond F. Schlie has joined the staff of F. S. Yantis & Co., Inc., Tower Building. Mr. Schlie was previously with Crutenden & Co. and Reynolds & Co.

not have noticed it but he was relatively quiet for several weeks. His enemies were smacking their lips. Then he came back with a bang with the disclosures at Fort Monmouth, N. J. For some time now he has been again riding the headlines and the editors generally seem to be taking his disclosures more seriously. One of them who had been rather critical in the past, though not a McCarthy baiter, seemed to sum up a widely prevailing sentiment when he wrote that McCarthyism might be pretty bad but it was certainly preferable to conditions at Fort Monmouth.

Now we see a high Administration official, the Attorney General, joining in the hue and cry against Communists in government. The story about Harry Dexter White is not new but he died before there was any real exploitation of it. However, Attorney General Brownell has tied it in with the Truman Administration in a most devastating, breath-taking way. White's pro-Communist influence over Henry Morgenthau was well known in Washington but Brownell has disclosed that Truman appointed him to an even higher position. If the former President had not spoken so quickly, as is his weakness, he might be able to come up with a more convincing explanation of his handling of White. As it is he is going to be hard put to explain the case away.

It goes without saying that the former President's loyalty is not involved. The fact is that he despised Communists as he did some other elements which he had to soft soap. Roosevelt, on the other hand, had no feeling against Communists; he welcomed them as fellow "liberals." The explanation of Truman's dealing with White is probably that he hated to admit there was a Communist in his Administration. The Republicans were charging him with coddling Communists.

At any rate, it is interesting to see Brownell, in effect, giving some support to the McCarthys and Jenners of his party. The manner in which the Democrats coddled Communists is one of the most effective issues the Republicans have. They should keep the public constantly in mind of what the Democrats, a euphonious holding company for a conglomeration of rascals of many political and ideological hues, did to this country. They should do this rather than sit on their haunches and take the cooked up abuse of phony farm demonstrations or the jibes about their million dollar Cabinet. Brownell is about the only experienced politician in the Eisenhower Cabinet. He knows the tricks of in-fighting. Now that he has fired a blast it is to be hoped he has several more up his sleeve.

The New Dealers in their campaigns had a challenging slogan: "Do you want to go back to selling apples?" The Republicans surely can ask if the people wish to return to the many unsavory conditions in the Democrats' record.

## COLUMBUS AND SOUTHERN OHIO ELECTRIC COMPANY AND SUBSIDIARY COMPANY

### CONSOLIDATED RESULTS OF OPERATIONS

	For the three months ended September 30		For the twelve months ended September 30	
	1953	1952	1953	1952
Operating Revenues				
Electric	\$ 7,794,300	\$ 7,032,992	\$30,916,812	\$27,138,084
Transit	1,312,623	1,372,992	5,640,432	5,713,787
Heat	359	204	27,574	28,398
Total	\$ 9,107,282	\$ 8,406,188	\$36,584,818	\$32,880,269
Operating Expenses				
Fuel used in electric production	\$ 1,360,383	\$ 1,256,709	\$ 5,272,152	\$ 5,041,100
Other operation	2,583,006	2,309,156	10,212,912	9,191,360
Maintenance	708,791	621,090	2,770,134	2,609,130
Provisions for depreciation and amortization	978,515	869,470	3,773,794	3,329,049
General taxes	626,418	592,352	2,419,570	2,414,690
Federal taxes on income	1,180,000	1,128,700	5,144,300	4,099,200
Total	\$ 7,437,113	\$ 6,777,477	\$29,592,862	\$26,684,529
Operating income	\$ 1,670,169	\$ 1,628,711	\$ 6,991,956	\$ 6,195,740
Other Income	3,584	2,314	45,506	45,060
Gross income	\$ 1,673,753	\$ 1,631,025	\$ 7,037,462	\$ 6,240,800
Interest and Other Income Deductions	403,348	513,518	1,626,759	1,830,845
Net income	\$ 1,270,405	\$ 1,117,507	\$ 5,410,703	\$ 4,409,955
Preferred Dividends	215,763	119,350	859,824	449,911
Earnings on common shares	\$ 1,054,642	\$ 998,157	\$ 4,550,879	\$ 3,960,044
Common Shares Outstanding at End of Period	2,001,360	2,001,360	2,001,360	2,001,360
Earnings per common share	\$0.53	\$0.50	\$2.27	\$1.98

This is an interim statement. The Company's fiscal year ends December 31, at which time its financial statements are examined by independent public accountants.

## New Treasury Policies

By ELBERT P. TUTTLE\*

General Counsel, Treasury Department

After describing background of the Treasury's situation, Mr. Tuttle lists "elimination of waste" as the first "new policy" sponsored by the Administration. As second "new policy," the aim is to reduce government expenditures wherever possible or advisable, and the third, and most important "new policy" is to establish sound money and an "honest dollar." Discusses National Debt problems, and importance of keeping the national credit sound.

I am glad to speak to you today on "New Treasury Policies," because I feel that there are some policies that are being pursued by the Treasury Department that are new and that are important. What I say is not intended to be partisan or political; it is not intended to be said in a manner that is controversial. But, I suppose the reason you invite a government official—even a minor one—in these early days of a new Administration to speak to you, is that you are prepared to hear a new viewpoint expressed, some of you, I hope, because you expect to agree with it; and others, no doubt, with the expectation of criticizing it.

Before, however, discussing these new Treasury policies I would like to consider with you briefly the backdrop of this stage on which today's actors on this national scene are attempting to play their part:

This background, which must be sketched in very hastily, shows us to be on a high plateau of income and productivity, as well as maximum employment; a peak period of government debt and maximum taxation; and a continuing ominous international threat.

Any discussion of national policy for the foreseeable future must take into account this background against which today's actors on the national scene must perform their roles.

### Elimination of Waste—First "New" Policy

The first new policy sponsored by the Treasury Department is the elimination of waste. I suppose no stronger issue was raised during the recent Presidential campaign than the issue of waste and extravagance in Federal spending.

For the first time in two decades real forthright executive leadership has been given towards saving in government expenditures for the sake of saving itself. It has been so pleasant and easy to make everyone happy by giving them something they want, that the habit has grown, until it is difficult to reverse the trend. Many necessary and useful expansions in the area of what the Federal Government can and should do for its citizens have been developed in recent years. However, we have become so accustomed to the resulting need for larger and larger expenditures for these proper and legitimate purposes, as well as for many that were not justified, that somewhere along the line we have lost track of a few decimal points. Starting with the frame of mind that characterized the National Government at one time which cautioned us to pare down expenditures to the nearest million dollars in round numbers we found ourselves at the end of this era in a position where it seemed

easier to push expenditures up so as to round them out at the next billion dollars.

We passed an era of spending as a pump primer into the era of our heaviest national spending caused by war requirements, and by the time that need ended, much of our economic thinking seems to have found that spending was a good thing for its own sake. In such a climate there was not only no enthusiasm for saving, but the rare person who tried it was depicted as a miserly spoil-sport who had no place in our society. There was very little encouragement for any government official or employee who effected small savings against what to him seemed to be a backdrop of planned inflation.

Keep everybody happy! Keep the money in circulation! These were the mottoes of the day.

As a result we became wasteful and profligate with our taxpayer's money. We continued to operate at a deficit during the years of even our highest national income.

### The Debt Situation

The public debt is now approximately \$272 billion. We are still spending under appropriations and authorizations of last year and prior years, and are thus spending money faster than we are collecting it. As a result, the first Administration in 20 years that has instituted a policy of economy and retrenchment has been faced with the unpleasant task of asking Congress to increase the debt limit of 275 billion.

This was not done to enable us to continue our deficit financing. It was done to enable us to keep the government's credit good in carrying out the mandate that was handed to us, to the extent that we couldn't honorably and legally cutback the commitments already made. It now appears, much to the gratification of the Secretary of the Treasury, and the rest of the Treasury officials who are concerned with taxation and debt management, that we may squeeze through. This matter of drastic economy is critical. It is stressed in every department and at every level. As a result, appropriations for 1954 are some \$10 billion less than recommended in Mr. Truman's budget message last January. There are many more economies to be made. New ones come to light daily. Our own Secretary has told us that our budget in the Treasury Department for this fiscal year is a maximum. He will be sorely disappointed if we do not operate well within this figure.

It is a hard and unpleasant task, but it is essential to our solvency.

### The Second New Policy

The second policy, which is a Treasury policy only because it is principally espoused by the Treasury, and because it is the Treasury's responsibility to pick up the tab, is to reduce expenditures which, while not in themselves amounting to waste, were nevertheless, made for purposes which in the light of our extended condition, were not strictly necessary in the national interest.

This, too, was, and is, hard. It is pretty difficult to stop this trend toward continually expand-

ing the era of Federal expenditure and turn ever so slightly in an opposite direction, especially since there is hardly a governmental expenditure of any size that is not dear to the hearts of many people of many diverse views and frequently of many diverse geographical areas.

For example, it was announced some time ago that the Civil Aeronautics Administration was going to consolidate Region 2 with Region 4, which meant that the Southeastern area operation centered and quartered in my home town of Atlanta would be shifted to Ft. Worth, Texas.

As a Republican appointee in Washington from a Southeastern state, and as a former President of the Atlanta Chamber of Commerce, you can imagine how I was swamped with protests.

This attitude is strictly human, and it is just what is to be expected, but it nevertheless makes it awfully difficult to begin to economize. Here is a program that has a lot of merit, but it is not of top priority. It does not compare in competition for the taxpayer's dollar with many other essential activities. Yet, if the government seeks to cut it out there is always a lot of anguish. Some call it "turning back the clock." Actually it is cutting the suit to fit the cloth.

This Administration has adopted the view that the American form of government is vulnerable to destruction from two directions: one—from an external attack, and two—by an unsound fiscal policy that would bring us to disaster through inflation, and regimentation followed inevitably by economic collapse. Therefore, given the primary need for an adequate defense against outside aggression, each other expenditure must merit consideration in competition for that part of our budget dollar that is left after the defense program is provided for. The competition is keen, and it must be a sound project, indeed, that can end up with an increase or even the same appropriation.

### The Third New Policy

The third new Treasury policy is doubtless the most important of them all, because in a way the others exist as a means of achieving this one. I refer now to the policy of establishing sound money. It is the policy of establishing the honest dollar, the policy that tells the citizen that the government will do all in its power to assure an enduring value to their money.

It is not the aim of the Treasury, obviously, to achieve a return to the dollar of 1940 or any earlier period; it would not be desirable if it were possible to "roll back" prices to such a level. American economy has adjusted itself pretty well to today's dollar, and it would be little short of dishonest to attempt to devalue, in the terms of the dollar, all of the goods and property bought on an inflated market. It is, however, the desire and, in fact, the policy, of the Treasury to prevent further cheapening of the dollar. This is just another way of saying we must have no more inflation, and we mean to prevent it not by placing artificial restrictions and controls on the American economy, but by living within our income and by putting an end to the debt management practices that inevitably lead to inflation.

Secretary Humphrey recently spoke of "The Three Pillars of Sound Money" [ "Chronicle" of Oct. 1, page 1]. These three pillars which form the solid base of a sound monetary system, as detailed by the Secretary of the Treasury, were, first, a proper budget policy, second, a properly functioning Federal Reserve System, and, third, proper debt management. This Administration is working constantly to strengthen all three pillars.

### Pillars of Sound Money

The first of these three pillars, a proper budget policy, I have already discussed at some length in pointing out the necessity for achieving a balance between the government's receipts and expenditures. The prospective deficit for this year has been cut from \$11 billion, as projected in the Budget Message of the last Administration, to approximately \$3.5 billion according to the most recent estimates for fiscal 1954. For the first time in the past few years we are planning to spend less this year than the year before. Also, for the first time since 1948 we have total appropriations which are less than estimated receipts for the year.

With this encouraging start, the Administration has expressed its indebtedness to the Congress and other various departments and agencies for their wholehearted cooperation. It must also seek the cooperation of the people of the country who must resist the temptation to urge increased expenditures for projects dear to their hearts at a time when provision of means for national survival require such tremendous outlays.

The second pillar of sound money, a properly functioning Federal Reserve System, is once more playing the part it was created to play, which was to stabilize the economy for the benefit of the country as a whole. During and after World War II the Federal Reserve System, under Treasury domination, lost much of its independence. It was used by the Treasury to raise unprecedented amounts of money, and, during the War, this requirement completely overshadowed the monetary policy. As long as the War continued and government controls kept wages and prices fairly well in line, there wasn't so much trouble, but when in 1946 direct controls were removed without also concurrently releasing the Federal Reserve, the excesses of the War years brought inflation and hardship to millions of Americans.

This policy has now been reversed, and the Federal Reserve is free to allow the demand for money to have its normal and natural effect and to supply funds to keep pace with normal growth. The Federal Reserve System has no "hard" money policy. It, like the Treasury, has a "sound" money policy. It believes as we do in the Treasury that good money makes good times.

The third pillar of sound money is proper debt management. The national debt now stands at more than \$273 billion. The manner in which this debt is handled—that is, the manner in which maturing issues are refinanced and new issues placed—has a very substantial bearing upon our nation's economy.

Entirely too much of this debt matures too early. It is the firm intention of the Treasury to offer more intermediate and long-term issues at opportune times in the future. Care, of course, will be used not to press the market in competition with state, municipal and private financing which is at a peak of demand at the present time.

Too rapid movement on our part at this time in crowding into this market and increasing the already enormous demand for longer term funds might very well still further unduly press up on the interest rates for all loans and even deny many other governmental and private borrowers an opportunity to obtain the necessary funds.

It is also our goal to move at opportune times a portion of the debt out of the banks into the hands of private investors.

### Savings Bonds

I cannot let this opportunity pass to do a little sales job. We

feel that one of the soundest financing programs for the government is the placing of savings bonds in the hands of the small individual investor. Buying and holding these bonds by the greatest possible number of our citizens is an important factor in managing the national debt.

The savings bonds program is in a healthy state. Sales are substantially greater than last year. Only a fourth of matured bonds are being redeemed and redemptions will decrease still further as more and more people learn that they can keep their bonds for an additional ten years and earn 3%.

The purchaser of United States Savings bonds is a direct shareholder in America. The regular bond buyer gains three ways:

He owns the world's best investment, earning 3% with absolute safety of principal.

He builds financial security for himself and his family.

He contributes to the security of our country by helping to maintain sound money and a stable honest dollar.

Secretary Humphrey has recently paid a very high tribute to Mr. Randolph Burgess, Deputy to the Secretary in charge of debt management, for the service he has performed to the country in his intelligent, patient and wise counsel in this difficult matter of handling our public debt.

Mr. Burgess is a great believer in our ability to move from a long period of inflation to one of economic stability without a business recession. He cites three principal reasons for believing that this adjustment can be made without serious trouble—if we use wisdom and enterprise.

First, this country, even when we achieve a balanced budget, will be pursuing a tremendous spending program for defense. Even though the expenditures are met by taxes, the program is an inflationary force which will be with us for some time to come.

Second, we have almost startling evidence from Europe to countries which have turned from inflation to prosperity by putting into effect vigorous programs for sound money. That has been true of Belgium, Germany, Holland, and of Italy and England. If they can do it after destruction and impoverishment, we, with our strength, can do it, too.

Third, we have the long history of economic progress of this country. It is free competitive enterprise that has made us great. As we move away from controls and subsidies and artificial props and gradually reduce taxes, we release more fully the forces that brought us prosperity in the past. As we strengthen the dollar and renew people's confidence in it, we restimulate the flow of saving which has always provided the capital to build America. Surely, we are not afraid of these great, free forces.

In presenting these views that we can successfully move from an inflationary economy, Mr. Burgess pointedly remarks that this effort will require imagination and good judgment by the business community. "There is nothing automatic about it," he says. "To make a free economy work, the participants have responsibilities. They must be prepared to take some risks and come out from under governmental shelters without panic. For the enterprise system to work there must be enterprise."

The last new Treasury policy I wish to discuss with you is the Treasury's new tax policy. This new tax policy has several points. The first is that the Treasury believes taxes should be levied for revenue only, and not to work out social reforms or to redistribute the wealth; the second is that in the interpretation of the laws passed by Congress to tax the American citizen the true intent of Congress will be sought and



Elbert P. Tuttle

there will be no disposition to construe statutes in a manner to protect the revenue at all costs; the third is that new efficiency and objectivity in the administration of the Internal Revenue Service will be a major Treasury goal.

For some time in the past there has been a tendency in the Treasury Department to recommend tax legislation that was designed as an aid in working out some social or economic aim of the time. Without passing on the merit of any such reform, it seems to me such matters should stand or fall on their own worth, and they should not be carried into effect by so-called "tax" laws. It destroys the confidence of the tax-paying public in the administration of the revenue laws if such laws are used for purposes other than solely to produce revenue for the government's needs.

No tax law is painless and none bears on all alike. The main objective should be to devise a system that will encourage, rather than retard, individual initiative, and encourage, rather than retard, the flow of private capital into useful and constructive channels.

Therefore, it will be the policy of the Treasury to recommend the creation of a tax structure that will, as nearly as possible, provide the funds necessary to operate the government with as little adverse effect as possible upon our developing and expanding economy.

Under Secretary Folsom is devoting his entire time, with a staff in the Treasury Department consisting of both economists and lawyers, studying proposals for overall revision of our tax program. It is expected that this program can be submitted to Congress early next year.

It is not my purpose to discuss specific tax proposals at this time, since the Administration's final position with respect to specific taxes has not yet been formulated and, of course, has not been communicated to Congress.

One of the most significant new policies, however, in the tax field comes in the administration of our income tax laws. One of the basic tenets of the present Administration is to return as much governmental activity as possible to the local level. This works in the collection of income taxes as well as in other administrative actions by the government.

Under the direction of Commissioner T. Coleman Andrews, many functions relating to the settlement of tax disputes have been decentralized, so that a taxpayer will be able to know much sooner what his total tax liability is and will thus be able to make his plans without having stale claims hanging over him indefinitely. In line with this policy, most tax disputes can be disposed of in your own State Director's Office. In spite of this decentralization, however, every effort will be made to assure every taxpayer that he is receiving the same uniform treatment as is being accorded to every other taxpayer, wherever he may live. We believe that this will do much towards re-establishing full and complete confidence of the American public in our voluntary system of taxation.

For all of the officials of the Treasury Department from the Secretary on down, I can assure you that no group of officers or employees of the government has ever been more desirous of achieving an efficient, honest and business-like administration of the tax laws than are those now charged with that function. This is equally true of debt management and the operation of the other bureaus of the Treasury Department. Each of the officials considers himself responsive to the will of the people whom we serve. To the extent to which we fail to meet this exacting obligation, we would appreciate your calling us to task.

## Finds Confidence in Business Outlook

In its review of general business conditions, the November issue of the "Monthly Letter" of the National City Bank of New York finds business conditions, as well as confidence in continued profitable business operations, in 1954 at near peak levels, thus making necessary the postponement of the date of the much advertised "recession."

"Sentiment in business and investment circles has been buoyed by this demonstration of continuing strength in underlying demand and by the excellent showing of corporation earnings statements now becoming available for the third quarter and the nine

general manufacturing—particularly

heavy industry and consumer durable goods—and construction.

"Where as a few months ago it was predicted that steel mill operations might drop to 90% of capacity or lower by the year end, actually they have been holding firmly around 95%, with no signs of waning. Indeed, indications are to the contrary. Steel order cancellations, according to trade sources, are tapering off, and consumer inventory correction, regarded as mainly responsible for the softer market tone

in earlier weeks, appears to have largely run its course. Recently, Chairman Benjamin F. Fairless, of the United States Steel Corporation, expressed the opinion that operations in the industry as a whole will vary not more than 1 or 2% from the present near-

## With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Arnold B. Gibbs is now with Hamilton Management Corporation, 445 Grant Street.

## Basic Needs for Manufacturing Success



The area served by the West Penn Electric System has what is needed to make almost everything. Many an industry's requirements are ideally met at several points in the 29,000 square miles of territory. Newcomers have a wide choice of locations where virtually everything they use is right in their own backyards.

The combined list of natural and man-made advantages in West Penn Electric's service area reads like a "What's What" of the needs of American industry: abundant supplies of fresh water; coal, limestone and other natural resources; a great variety of semi-finished materials; excellent transportation; suitable sites with room to expand; easy access to the nation's best markets; and ample electric power.

Less tangible, but equally important to successful manufacturing, is another asset which management finds in the area. It is the friendly pride which the people of its pleasant, small towns take in their industries and their jobs—they like to work where they live, enjoying the area's well-distributed recreational and cultural opportunities.

### SEND FOR FREE FOLDER "7 Good Business Reasons"

describing advantages enjoyed by industry in West Penn Electric's service area. Consult us about your plant location problems. Ask us to suggest sites, buildings and communities suited to your needs. Simply write Area Development Department, The West Penn Electric Company, Room 318, 50 Broad Street, New York 4, N. Y.



## West Penn Electric System

Monongahela Power Company

The Potomac Edison Company

West Penn Power Company

# Venture Capital

By ROBERTSON D. WARD\*

Partner, J. H. Whitney & Co., New York City

Mr. Ward lists three classes of venture capital: (1) primary capital needed to develop, test, and launch new ideas, inventions or services; (2) secondary capital needed to expand a new business already successfully launched; and (3) additional equity capital needed by concern, whose securities are publicly or privately owned. Holds success of free enterprise system depends in part on steady flow of investment in new enterprises. Describes workings of J. H. Whitney & Co., specialists in venture financing.

In the time allotted I will try to cover the meaning of venture curities and Class III venture capital as understood in our business; the background of the founding of J. H. Whitney & Co., and its operations; a brief comment on other venture capital firms; and some general comments on this type of capital.

Robertson D. Ward

Venture capital is a phrase which has different connotations for different capital investment people. A venture capital investment is universally accepted as being an investment with a degree of risk attached. It could range from the purchase of a chance in a raffle, on one extreme, to a purchase of 100 shares of A.T.&T. common stock on the New York Stock Exchange, on the other.

For the purpose of pointing up our discussion today, I am dividing venture capital into three classes:

**Class I**—The primary capital needed to develop, test, and launch new ideas, inventions, or services.

**Class II**—The secondary capital needed to expand a new business after it has been successfully launched, or to enable an established business to exploit a new product, process, or service, or to revitalize an established business which has deteriorated.

**Class III**—The additional equity capital needed by a successful business with competent management, with an established position in industry, and whose securities are either publicly or privately owned. If such securities are privately owned, they would qualify for underwriting by established investment bankers and sale to the public.

These classifications are not exact. Many venture capital investment situations are a combination of these classifications or fall between them. However, venture capital, as we understand it, includes only the first two classes. You men are all familiar with Class III and various phases of it are covered in other talks in this series.

## Financing Small Business

My definition of venture capital also implies a close relation to equity financing of small business. Most businesses needing Class I or Class II venture capital financing would be small and so in talking about venture capital I am also talking about small business financing.

My senior partner, John Hay Whitney, inherited one of America's great fortunes just after he graduated from college. It would have been easy for him to have arranged to have his capital invested in a traditionally conserva-

\* A lecture by Mr. Ward in the series entitled "The Economics of the Securities Industry," sponsored by the Investment Association of New York in cooperation with the Graduate School of Business Administration of New York University, New York City, Oct. 21, 1953.

## Flow of Capital in New Enterprises

These activities led him to recognize that the success of the free enterprise system depends in part on a steady flow of investment in new enterprises; that launching new enterprises is a long, difficult, and extremely hazardous undertaking; that there is an increasing concentration of liquid wealth of the nation in life insurance companies, investment trusts, savings banks and other fiduciary institutions which cannot legally invest in new enterprises; that high income taxes have caused a progressive drying up of traditional sources of venture capital, particularly the wealthy individual willing to take a flier on a new idea or new invention; and that unless the capitalists of this country became more enlightened in their approach to this problem, there was a strong probability that the government would step in at a price of socializing our industry.

During and just after the war, Mr. Whitney gave considerable thought to this situation and evolved the plan which led to the founding of J. H. Whitney & Co. on Feb. 1, 1946. An incident which influenced his thinking occurred in 1944 when, an officer in the Air Force, he was taken prisoner by the Germans (from whom he subsequently escaped). He was asked what his civilian occupation was. He replied "Capitalist." The German could not have been more startled if he had been kicked and apparently concluded that his prisoner had need of a psychiatrist. While Mr. Whitney was not surprised by that reaction, he was not prepared for the reaction of the young Americans who were captured with him — they completely echoed the German's attitude. These young men apparently had questions and doubts about our capitalistic system and viewed a capitalist with horror. Thus Mr. Whitney's determination to try to do his part in making ours a more dynamic and more enlightened capitalistic system was further strengthened.

After his return to civilian life, he divided his capital into three parts: (1) a portion for conservative investment; (2) a portion for a philanthropic foundation—The John Hay Whitney Foundation; and (3) a portion—\$10,000,000—for his venture capital firm.

In establishing this firm, he made a major Class I venture capital investment. He was one of the pioneers in the field of providing a new channel through which capital and new enterprise can be brought together.

His backing this new idea involved taking a greater than ordinary risk on which the chances

of loss were high. However, he felt that the odds for gain were greater than those for loss and that he was therefore justified in making the investment. The free enterprise system, as we know it, cannot succeed unless it is profitable and no type of assistance given to making it work in a more enlightened manner is of any value unless such assistance is profitable.

## Purpose of J. H. Whitney & Co.

Mr. Whitney announced that the primary purpose of J. H. Whitney & Co. was to provide capital for medium and small sized companies and to assist in their development. It reflected his confidence in the business future of this country and his hope that such risk investments might further the development of business enterprises, thereby increasing jobs and improving management. I particularly want to call your attention to the phrase "to assist in their development" used in this original announcement. It is very important, as I will indicate later.

At this point I will add that while no financial results of the operation of our firm have been made public, it has been profitable enough to justify Mr. Whitney's initial investment. By this, I mean that its initial capital will have been doubled in 10 years. This can be considered as a measure of the success of a venture capital investment.

Our firm consists of 11 partners and a staff of five associates who have varying backgrounds and skills, including lawyers, engineers, economists, investment bankers, merchandising experts, etc. Our activities are divided into two general categories: the investigation of new proposals, and the rendering of general advice and assistance to the management of enterprises in which venture capital investments have been made. We consider that both activities are equally important to the ultimate success of our business. Our method of investigation varies with the type of proposal. Generally speaking, a new proposal that is not initially rejected under our policy or on the basis of obvious lack of merit is referred to one of our associates for initial study. If he finds it interesting, it is referred to a partner and an informal team of partners and associates is designated to make an analysis of the proposal and present their recommendations thereon to the firm as a whole. The analysis is as careful and as complete as we can conceive and is aimed at developing the factors affecting the proposal which will give us the necessary information to determine whether or not it fits into our current policy, as I will discuss subsequently. Often, in connection with the investigation, an outside consultant will be employed with a particular talent required for the specific venture.

At the end of 1949, after nearly three years of operation, J. H. Whitney & Co. was asked to make a statement to the Joint Committee on the Economic Report which had been set up by Congress. At that time we said among other things that while not necessarily irrevocable or controlling, we were then using the following set of principles as guideposts in selecting our investments:

(1) We are interested only in enterprises in the United States and prefer situations involving some new product or process with distinct competitive advantages. (The policy against investments outside the United States is a temporary one based on our belief that we should not endeavor to enter the field of foreign investments until we have established more definitely our objectives and methods in the domestic field.)

(2) In general we prefer that

new products or processes be past business indicate that the primary source of small business difficulties is incompetent or inefficient management.

**Second**—We put more stress on completion of technical development and product testing. It is our policy to have our capital used for commercial development rather than technical development. We have had sad experiences with the risk of both technical and commercial development.

**Third**—We find that very small investments are impractical. It costs almost as much to investigate and guide such investments as it does larger ones and an adequate profit potential is lacking.

**Fourth**—We do not require control but must have a strong enough position to be influential in directing the destinies of the enterprise, particularly if adverse developments set in and it becomes necessary to change the management.

**Fifth**—We are interested in buyouts if the change in ownership carries with it the possibilities of expanding the business or of our making some beneficial contribution to the company.

**Sixth**—We will consider investments in countries outside continental United States if we feel their governments are stable and some unique situation exists. For example, we have made two investments in Puerto Rico of a type we would not consider attractive in the United States.

All of the above are in addition to our current interests in businesses with products or processes rather than services that are constructive or worthwhile to the economy and have unusual growth possibilities with related high profit generating potentials.

As you probably have noted, this change in emphasis in our general policy brings us nearer to being interested in Class II than in Class I venture capital investments. That is true. We have determined that we are better qualified to judge and provide managerial assistance to such enterprises. We have been rather unsuccessful in making Class I investments, where the difficulties of investigation and determination of the future prospects are so very great. In this respect, you may feel that the primary purpose for which Mr. Whitney established the firm has been modified. Perhaps this is true. At least, we have become a little more cautious, in the interest of survival and of becoming a permanent part of the securities business. However, we are still interested in the unique Class I venture capital investment where the man with the idea or invention also has the managerial talents to run a business. Such a man seems to be rather a rare bird.

## Providing Venture Capital With Advice and Assistance

I suggest that our business involves the providing of venture capital together with advice and assistance usually including additional venture capital to business enterprises in a manner which will result in promoting the stature of such investments over a period of time either from Class II to Class III or from Class I to Class II to Class III. When such investments have thus been promoted to Class III our business contemplates our disposing of such investments at a profit through established means of liquidating Class III investments. If our activities are successful, our capital will act as a revolving fund, which can continue to promote new enterprises, particularly those which have passed through their initial birth pains and are ready for first step expansion, or to assist established enterprises

which have new products or processes to be exploited or need managerial assistance and venture capital to reestablish their positions in industry.

It is important to recognize that at the time a company requires venture capital it is generally at its most difficult and critical stage and venture capital investors must in their own interests be in a position to give their companies continuous and substantial assistance in the form of guidance and advice as well as funds. It is very seldom that one of these investments can be successfully promoted to Class III without the provision of such assistance. We feel that in making such an investment our share of the ownership involves an obligation on our part to provide assistance to the management. In other words, we go into partnership with the proprietors and help in every way we can to make the enterprise successful. One formula for partnership which we have followed is to make an agreement whereby we retain control of a business until our initial investment is paid back or is money good, at which time we will relinquish control on previously agreed terms and retain a minority common stock interest from which we will make our profit when this investment has been promoted to the Class III category.

There are other firms in this or related businesses some of which were established independently and some of which were patterned after our firm, with the founders following Mr. Whitney's lead. In the first category is American Research & Development Company in Boston, which is a publicly owned corporation in which many small investors and several large insurance companies and other fiduciary organizations have made investments. It therefore serves as a means for these two classes of investors to participate in the important field of venture capital investing. American Research & Development Company publishes an annual report which gives a very complete accounting of their activities. Also in this first category are New Enterprises, Inc. in Boston, Rockefeller Bros. in New York, T. Mellon & Sons in Pittsburgh, and others. They have somewhat varying purposes and their activities are not all confined to venture capital investing. In the second category of other businesses in this field which were patterned after our firm are Payson & Trask, Wm. A. M. Burden & Co., Henry Sears & Co., and Fox, Wells & Co., all in New York City. While these latter firms are similar in purpose to ours, their various policies have somewhat different emphasis and therefore together provide a fairly broad source of venture capital for various types of business enterprises needing this type of financing.

#### Sources of Venture Capital

There are, and I am sure will continue to be, four sources of venture capital: individuals, established corporations, the Government, and organized investment companies or partnerships. The first three of these sources will probably supply most of the Class I venture capital. Individuals will make these investments because of personal relationships with inventors and entrepreneurs and because of the comparatively small amounts of capital involved and the unusually attractive odds for profit. Corporations through their research and development organizations will probably be an increasingly important factor in creating the more expensive basic new products and processes leading toward the better ways of life. Our tax structure is such that they are in position to spend 50 cents or less cost dollars in this manner.

Organized investment capital field, particularly in other parts of the country. We hope more learning more of the general background of this subject, I refer you to the special supplement to Dun's Review in October, 1952 entitled "Can Small Businesses Get the Capital They Need?" by Edwin B. George, Director of Dun & Bradstreet, Department of Economics. Furthermore, I hope that if you come across interesting venture capital investment situations, you will refer them to our firm or one of the other firms now engaged in this business.

There will be an increased demand for venture capital in the future to meet the need of our increasing population at our increasing price level and for Class III venture capital to purchase blocks of securities from large investors and estates. If we are going to keep our free enterprise system dynamic and progressive, private risk capital must lead the way which has been pioneered by the few firms that have been established in this business.

Finally, if you are interested in learning more of the general background of this subject, I refer you to the special supplement to Dun's Review in October, 1952 entitled "Can Small Businesses Get the Capital They Need?" by Edwin B. George, Director of Dun & Bradstreet, Department of Economics. Furthermore, I hope that if you come across interesting venture capital investment situations, you will refer them to our firm or one of the other firms now engaged in this business.

#### Cecilia Lieb With Standard Investment Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Cecilia R. Lieb and Theodore Hersh have joined the staff of Standard Investment Co. of California, 210 West Seventh Street. Miss Lieb has recently been with Cantor, Fitzgerald & Co., Inc. and prior thereto was assistant manager of the trading department for Edgerton, Wykoff & Co.

#### With Eaton & Howard

(Special to THE FINANCIAL CHRONICLE)

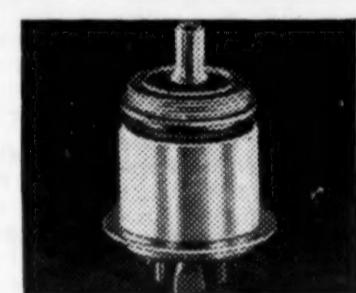
SAN FRANCISCO, Calif.—Glenn L. Allen has joined the staff of Protected Investors of America, Russ Building.



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Incredibly small spaces between electrodes enable this Bell System tube to relay microwaves over long distances without appreciable distortion or deterioration.

When telephone scientists first conceived the idea of a vacuum tube like this, they wondered if human hands and machines could ever make anything so delicate. For inside the tube are wires so fine that sixty of them, twisted together, are only as thick as a human hair.

Chances are you'll never see one of these little tubes. But every day they do some big things for millions of

people. They help make possible the microwave Radio-relay networks that carry Television programs as well as Long Distance calls throughout the nation.

Underground, overhead, in the air—in research and in manufacturing—in transistors and in vacuum tubes—the Bell System uses every possible means to extend and improve your service.

BELL TELEPHONE SYSTEM Local to serve the community. Nationwide to serve the nation.



# Economic Impact of Atomic Energy on Electric Power Industry

By E. H. DIXON\*

President of Middle South Utilities, Inc.

Public utility executive maintains that over the long, but not short, range atomic energy will become competitive factor in generation of electric power with its economic impact manifested principally in supplementing present fuel sources. Stresses technical and economic problems obstructing nuclear power development to widespread commercial applications. Expresses confidence U. S., aided by electric power industry, will win the atomic power race.

Present indications are that it will be some years before great national prestige would obtain if the United States were to become the first nation to utilize nuclear power extensively on a peacetime basis — that is, to produce electric energy from nuclear fuel on a commercial scale. Secondly, the electric power industry possibly can assist in devising more economical means of producing fissionable materials for national defense, and also play a major role in creating a commercial market for these products and assuring their continuing production.

Then too, participation by electric power company personnel in the program serves to add to the nation's reserve of trained and experienced nuclear energy experts. Moreover, the presence of these technicians in scattered development projects lends a further measure of geographic diversification of skilled nuclear specialists throughout the country, a consideration that would be significant in time of national emergency.

The important interest of the electric power industry in the atomic energy program of this country is well known. Tangible evidence of this interest is found in the fact that a substantial majority of the companies participating in the study teams under authorization from the Atomic Energy Commission are electric power companies. Still other companies within the industry recently have been seeking means of participating in the program. There are many reasons for this interest and effort, and I think it is important that they be understood. I should like to separate them into what may be called direct and indirect reasons.

## Direct Objectives and Incentives

In the first category, a fundamental objective of the electric power industry is, and has been since its inception, to seek lower costs of generating electricity, for the continuing benefit of the public. Toward this end, numerous electric utilities and equipment manufacturers conduct research programs extending from experimentation with various fuels, and methods of mining or otherwise obtaining such fuels, to technological improvements in the design and construction of boilers, turbine-generators and auxiliary equipment.

A second direct consideration is that the electric power industry is desirous of expanding the fuel sources available for generation of electric power, and conserving the nation's reserve of fossil fuels. We can't help but be impressed by estimates indicating that the energy in deposits of uranium and thorium may be more than 200 times greater than the energy contained in the world's known recoverable reserves of coal, oil and gas. Thus, the stakes in connection with this new energy source appear to be very real indeed.

## Indirect Objectives and Incentives

The indirect benefits which would result from successful application of atomic energy to the generation of electric power are



Edgar H. Dixon

reactor installations, wherever this country is for fuel, and leading boiler manufacturer, an located, could provide an opportunity for gaining valuable knowledge and experience for the benefit of the electric power industry and its customers.

These indirect motives and potential benefits provide a real incentive to the electric power industry, and others, for investing both dollars and manpower in a development program that, at present at least, does not appear to offer any near-term benefits to our own economy. In other words, the nuclear power development program can be looked upon as more of an opportunity than a necessity over the shorter-term while from a long-range point of view it is expected that both direct and indirect benefits may result.

## Economics of Nuclear Power Not Clear Cut

The economics of the generation of electric power from nuclear energy are not at all clearly defined as yet. Reactor experiments to date have not contributed appreciably to an understanding of the dollars and cents of nuclear power production costs. The Atomic Energy Commission has constructed two experimental reactors from which heat energy has been converted into electric power through the medium of conventional turbine-generators. One is the Experimental Breeder Reactor at Arco, Idaho, and the other is the Homogeneous Reactor Experiment at Oak Ridge. Since production of electric power was not the prime goal of either of these experiments, and because they were conducted on only a small scale, no pertinent information as to the cost of nuclear power can be had from their operation. A third reactor capable of producing electric energy, the Submarine Thermal Reactor, likewise offers little help in assessing the potential of nuclear power for commercial use, in view of the rigid specifications required for this sea-going unit.

This point, too, was covered by Mr. Murray in announcing that the Commission has embarked on a program to construct a full-scale power reactor. As he expressed it, "We recognize that costs of power, derived from this first reactor, will be higher than costs from modern plants. But we will really never know the answer to costs until we build and, still more important, until we operate several large-scale reactors."

Another major problem is ascertaining the feasibility of commercial power production related to the disposal of plutonium, which various reactor types now under consideration would produce in addition to power. While initially, excess plutonium might be purchased by the government for military purposes, an artificial market of this kind obviously cannot be depended upon throughout the expected life of a generating plant. Eventually, the nuclear power installation must stand or fall on the basis of the electric energy produced, coupled with whatever revenues may be derived from sale of plutonium as a fuel or for other commercial uses. Other by-products, including the fission products or ashes of the chain reaction, likewise may be found to have value, although at present these materials present an expensive disposal problem.

## Atomic Fuel Costs Appear Favorable

Recent attempts to estimate the economic status of nuclear power have indicated that the cost of atomic fuel with some types of reactors can be brought below the national average cost today of the conventional fuels required to make a kilowatthour of electric energy. Some 40% of the average cost of generating electricity in the world, if it were available.

another 40% or thereabouts represents the fixed cost of carrying the capital invested in plant facilities. Thus, the saving which might be derived from substitution of nuclear fuel could be applied to service a part of the added cost of a nuclear reactor and heat exchanger over that of a conventional boiler installation. This approach, then, can be used to determine how many dollars per kilowatt of capacity we can spend to install a nuclear power plant that will turn out kilowatthours at a unit cost comparable to that of a conventional plant of the same size.

Most estimates of reactor installation costs, per kilowatt of capacity, are considerably higher than the upper limits of figures derived in this manner. It is primarily because of this relationship that nuclear power is not considered competitive today. This three-way team is now developing a steam-electric generating plant which will operate at a pressure well above the critical pressure of steam, and at initial and reheat temperatures that likewise represent new high levels. Also, the plant will use "double reheat," a process wherein the steam is returned to the boiler twice and reheated for use a second and a third time, something that has never been attempted in a commercial installation. The expected result is a reduction of roughly 10% in the amount of coal required to make a kilowatthour of electricity at the most efficient plants operating today. Still further improvement would be sought if this installation measures up to expectations.

I mention these technical details to illustrate the dynamic character of the electric power industry, and to demonstrate its readiness to accept and bring forward every new development that can advance its technical and economic well-being for the continuing benefit of the public. In budgeting time, effort and money for improving the prospects of supplying electric energy in the most economical way, it seems logical that we should not only make a full investigation of the interesting potentials of atomic energy, but also continue to seek progress along more conventional lines where more immediate returns appear possible. I would expect that the electric power industry will pursue a program whereunder the development of nuclear power is balanced and integrated with work aimed at improving our shorter-term objectives of lower-cost energy from conventional fuel sources.

## Nuclear Power Development Program Indicated

The time when nuclear power plants can begin to assume a substantial fraction of our annual requirements for expansion of energy production will depend upon a number of factors. The most important of these no doubt relates to economic incentives. As stated earlier, there is no apparent prospect that a nuclear plant could compete with conventional power plants on a cost basis in this country over the near-term. However, the prospective indirect benefits and the potential longer-term direct benefits that might accrue from successful development of this power source appear to be of sufficient magnitude to warrant a continuing development program on the part of both government and business.

The other factors affecting the timing of the impact of atomic energy upon the electric power industry center around technical and legal considerations. Both of these subjects were discussed at considerable length by well-informed speakers at yesterday's panels. Without going into either of these factors in much detail, I would like to mention briefly my thoughts as to each.

When central station electric energy was first generated about 75 years ago, roughly 30 pounds of coal were required to produce one kilowatthour of electricity. Today, less than one pound of coal produces the same amount of electric energy. Tomorrow, even less coal will be needed. While estimated production costs of power from nuclear sources already appear to be below those incurred in the generation of power 75 years ago, technical difficulties involved in developing reactor-type facilities appear to be greater than has been the case with conventional fuels.

## Other Power Generation Methods Sought

One illustration of the technical problems which our industry has

\*An address by Mr. Dixon before the National Industrial Conference Board, New York City, October 30, 1953.

encountered in its efforts to reduce cost of generating power may be taken from our experience with power plants using mercury as the medium of heat exchange. Development of this process was begun about 30 years ago. In 1928 the initial installation of a mercury power plant was made in Hartford, Conn. In the years that followed, several other installations of this equipment were made by electric utility companies. Two years ago, in a paper presented to the American Society of Mechanical Engineers, an engineer associated with the mercury development program made some interesting observations regarding the then current status of the program. He stated that during the design and preliminary operation of three relatively new mercury plants, a number of important problems were encountered, and that these opened entirely new fields for engineering study and operating procedure. It is noteworthy that the difficulties to which reference was made were not encountered until some 20 years after the initial mercury installation had been placed in service, and 20 years after the manufacturer had made public announcement of "commercial availability" of the mercury steam system.

Many of you will recall other avenues of power generation investigated by the electric power industry, whether by pilot plant construction, by small-scale experiments or simply on paper. These activities include wind power, carbonization of solid fuels for valuable by-products, collection of solar radiation and even tidal power. Although none of these has materialized on a commercial scale in this country, owing to economic as well as technical considerations, renewed attention is being given to some of them, particularly abroad.

These comparisons of the industry's success in improving the efficiency of conventional steam-electric stations over a great many years, and its experience in developing alternate types of power plants, lead me to believe that a long period of technical development may be required to achieve a competitive nuclear power process. This is particularly true when it is considered that this energy source must obtain a foothold in the face of competition from an established, efficient and ever-improving operation.

#### Revision of Atomic Energy Act Desired

Turning to the legal aspects of development of nuclear power by electric utility companies and other businesses, I would like to summarize the general views regarding the Atomic Energy Act of 1946 as expressed to me by a number of electric utility company executives. This group, in essence, desires changes in the McMahon Act which would permit private enterprise to make such further progress in this development program as appears possible over the near term; it does not now advocate that the doors be opened so wide as to accommodate all things to come as the program moves ahead. Specifically, numerous leaders of our industry favor revision of the Act with a view toward providing an arrangement for licensing electric power companies and others to proceed with the development of electric power generation from atomic energy, and devising arrangements for the ownership and disposal of fissionable materials, and facilities for the production of fissionable materials, by electric power companies and others. Pending such changes, the recent invitation by the Atomic Energy Commission to private industry to participate with them in the construction and operation of a new atomic energy

power plant would seem to be a step in the right direction.

Many electric utility executives also believe that certain changes in the patent provisions of the Act are desirable in order that consumers of electric power may obtain the benefits resulting from accelerated research and development of new atomic materials and equipment. Since proper patent protection and incentive normally encourage such progress, the electric power industry has a vital interest in appropriate legislation to this end. But because the electric industry has little direct interest in patents, and relatively little experience with patent legislation, I would look for other industries to take the lead with respect to specific recommendations as to the patent provisions of the Act.

#### Conclusion

I believe that my observations today may be summarized under three major points.

First, there appear to be many benefits that this country can derive from development of a practical nuclear power technology. Whether these benefits are direct or indirect, long-term or short-term, they should provide sufficient incentive to encourage electric utility companies and others to continue their sincere efforts toward perfecting processes by which electricity may be produced economically from nuclear reactors. Over the near-term, or until progress is made in improving the economics of atomic power, I would expect that the research and developmental undertakings of the electric utility industry in this program will be balanced with its efforts aimed at further reduction in generating costs at conventional plants.

Secondly, the technical and economic problems involved in the transition of nuclear power development from the present embryonic stage to wide-scale commercial applications are of great magnitude. Therefore, an extended period of development work appears necessary in order that nuclear power may become competitive, particularly when it is considered that our industry and the equipment manufacturers are continually improving the technology of generating electricity from fossil fuels.

Finally, there is every indication that the work of the Atomic Energy Commission, the several study teams and others, sooner or later, will bring us to a position from which the prospect will open up for full-scale private development of commercial nuclear power. With this goal in mind, the electric utility industry should be willing to spend its own money in harnessing this new energy source on a commercial basis. To that end, Federal legislative and administrative policy should be reshaped in such fashion as to make possible and to encourage this eventuality.

I have great faith that the United States will win the atomic power race and complete confidence that the electric power industry will make an important contribution toward this victory.

#### Paul V. Miller Joins Reynolds in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Paul V. Miller has become associated with Reynolds & Co., 39 South La Salle Street. Mr. Miller was previously with J. R. Williston, Bruce & Co. and Dean Witter & Co. in Seattle.

#### Two With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George Shulman and Milo M. Turner have become affiliated with Walston & Co., 550 South Spring Street. Mr. Turner was previously with J. R. Williston, Bruce & Co.

## Top Doremus Executives Confer on 50th Anniversary



Looking over the latest ad campaign of Doremus & Company are (seated left) Walter H. Burnham, Vice-Chairman, and William H. Long, Jr. Chairman (seated right); standing are Louis W. Munro, President (left) and George A. Erickson, Executive Vice-President (right). Doremus & Company, leading advertising and public relations agency, is this year celebrating the 50th

anniversary of its founding in 1903 in New York. Today, the company has offices in five cities, a total staff of 152, a broad advertising and public relations business almost equally divided between general and financial accounts, and an annual billing that will probably rank it this year among the first 50 of the 2,700 advertising agencies of the country.

## Rigid Markets Do Not Make for Stability

November issue of "The Guaranty Survey," published by the Guaranty Trust Company of New York, says free markets are indispensable in free-enterprise economies.

An article in the November issue of "The Guaranty Survey," issued by the Guaranty Trust Company of New York, stresses the need of free markets as an essential element of a free enterprise economy.

"Enforcing rigidity upon a market does not avoid the inconveniences and hardship of instability," the article points out. "Instead, it causes the instability to break out elsewhere, usually at a more sensitive spot and in a more troublesome form. Rigidity begets instability, and controls beget more controls."

The editorial begins with a discussion of the peculiar price tendencies that have prevailed for two years or more. In general, prices of raw materials have declined. Wholesale prices of manufactured products have been comparatively stable. Prices to the consumer have continued to rise. In other words, products embodying large elements of labor cost have shown increasing price spreads as compared with commodities at farms, mines and factories—that is, at earlier stages of the productive and distributive process.

In the thinking of the "new" economists, the emphasis is primarily upon wages as a source of buying power—which, of course, they are, says "Survey." "To the managers who make business decisions and create jobs, however, wages are primarily costs. No amount of purchasing power can give rise to production and employment so long as cost-price relationships make the maintenance or expansion of business operations unprofitable.

"Labor is not the only field in which rigidities have come into the economy," continued "The Guaranty Survey." "Agriculture is another. In this case the need for one set of controls to accompany another is obvious to all except the most wishful thinkers. The futile search for a device that will avoid the inconveniences and hardships of price fluctuations and also those of output restrictions still goes on."

"The general price control of wartime was another case in point, although its significance was largely obscured by the governmental domination of the economy that is characteristic of modern war. The most enlightening experience came after the war ended. Wage regulation was abolished, but price control was continued. As a result, industrial 'reconversion' lagged. Shortages persisted. Paralyzing strikes tied up industry after industry. It became more and more difficult to hold prices within bounds. Black markets became general. Finally the hopeless task was given up, and price control ended. The shortages vanished."

"Rent control remained, however, and the housing shortage continued. Private enterprise was not interested in risking capital in rent-controlled dwellings. So the Government went into the housing business on a large scale."

"Artificially easy money during and after the war was another instance of rigidity. Higher interest rates would have been costly to the Federal Treasury. To avoid this inconvenience, rates were held down. The result is the

fifty-cent dollar, which is immeasurably more costly to the Treasury, as well as to many private citizens who can ill afford it, than the higher interest rates would have been."

## La Salle Street Women To Hold Luncheon

CHICAGO, Ill.—Miss Herma Clark, author of the column "When Chicago Was Young"—will address the La Salle Street Women at their luncheon meeting, Wednesday, Nov. 18, 1953, at Harding's in The Fair, at 1:00 p.m.

Miss Clark has had rather unusual experience in teaching, freelance writing, and later in having had her letters, better known as her "Dear Julia" and "Martha Freeman Esmond" letters reprinted in book form. "The Elegant Eighties" is another of her compilations. Her knowledge of early social life in Chicago was gained through her association with Mr. and Mrs. William Blair.

Miss Clark also has to her credit "A Victorian Keepsake," Nineteenth Century Prose and Poetry, collected by her. Also, she is co-author of a play entitled "Port of Chicago." At the annual dinner of the Friends of Literature in April, 1946, Miss Clark received one of the awards for "Outstanding Contributions to Literature."

The President of the organization, Miss Joan Richardson, of Glore, Forgan & Co., will preside at the meeting.

## With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hugh D. Purcell has become associated with Shearson, Hammill & Co., 520 South Grand Avenue. He was formerly with J. R. Williston, Bruce & Co. and Adams-Fastnow Co.

# Multilateral Trade Will Cure Free World's Economic Ills

By HON. ALEXANDER WILEY\*

U. S. Senator from Wisconsin  
Chairman, Senate Committee on Foreign Relations

Senator Wiley discusses recent changes in world situation, and the new and more difficult problems ahead. Says our foreign economic policy must be based on largest area of public agreement we are able to get, and its principle should be "the greatest good to the greatest number." Sees new factors in world trade, among which is permitting free nations to sell more in the American market. Stresses our growing dependence on foreign sources of raw materials, and calls for a greater degree of stability in foreign trade policies of ourselves and allies.

Fisher Ames, an early member of Congress and one of the most famous orators of his day, once said of the American Republic that it is like a raft, which, he added, "would never sink, but then your feet are always in the water."

It is a comforting thought as one foreign policy crisis after another washes over us—and sometimes gets us wet almost to the knees—to know that the fundamental strength of this country will see us through many rugged storms.

I am sure you are all heartily sick of a new crisis in every edition of your newspaper. So am I. The word has been so over-worked that the American people are practically crisis-proof.

Actually, we do not have a new crisis every day, or even every other day of every week. What we have are simply new aspects of the same old crisis that we have been living with for several years. And it is just as well that we have gotten used to it, because we are going to have to live with it for some time to come. As President Eisenhower has well said, we live not in a moment, but in an age of crisis.

Viewed in that light, we can put the problems of American foreign policy in better perspective. We can see how the day-by-day developments fit into the over-all pattern, and — what is more important—we can see how that pattern changes from time to time.

## Changes in World Situation

I think that the pattern of the world situation has changed enough recently to require new emphasis in our policies. Let's examine the nature of that change and how it came about.

The free world began to wake up to the threat of Communist imperialism in 1947 when we were confronted with the imminent possibility that aggression would succeed in Greece and Turkey. In the United States a Democratic President and a Republican Congress took prompt, dramatic action. Greece and Turkey were saved, and we had started the long, painful process of rebuilding at least a part of the strength which we dissipated at the end of World War II.

The world situation was then dominated, and continued to be for a number of years, by the frightening imbalance in the strength of the free world as opposed to the strength of the Soviet Bloc. In such a situation, the need for us to rebuild our own strength was so overwhelming that there was little time or opportunity to do anything else.

\*A paper delivered by Senator Wiley at the Ninth Annual Convention of the Commercial Finance Industry, New York City, October 27, 1953.



Alexander Wiley

We are not yet strong enough, but we have made enough progress to bring about a new situation in the world, and that situation calls for new tactics and new emphasis on our part.

This new situation has been created by the demonstrated ability and willingness of the United States and its allies not only to resist aggression, but to defeat it. The United Nations did this forcibly in Korea, and we and our NATO allies have done it peacefully in Western Europe simply by creating forces which, though they are not themselves strong enough to defeat all-out aggression, are at least strong enough to make it an extremely dangerous gamble for an aggressor.

Let me put that another way. Only a year or two ago fear was rampant in Western Europe because it was generally admitted that the armed forces of the Soviet Union could over-run the area by a surprise aggression in a relatively short time if they chose to do so. Today the strength of the free nations has grown to the point where a Russian attack there would be a major military enterprise which would require months of planning on their part and extensive regrouping of their forces. In this sense a surprise attack is no longer possible. And the threat of a successful aggression grows dimmer with each passing day.

## New, More Difficult Problems Ahead

So we come now to a period in which we can look ahead to the completion of this buildup of strength and some of the new problems which that fact in itself will create for us. In many ways, these problems will be more challenging than those of the period we have just come through.

As long ago as last April, that farsighted man, General Alfred M. Gruenther, then Chief of Staff and now Supreme Commander at SHAPE—the North Atlantic Treaty Organization's military headquarters in Europe—warned of this when he told the Foreign Relations Committee:

"I think we are facing a period now where we will look back and say the first two years of SHAPE's existence, instead of being the hardest, were the easiest, because the strains are beginning to develop as you get closer to the economic ceilings."

When our backs were to the wall, there was only one thing for us to do, and we did it. Now that we and our allies are in a stronger position, we have more options open to us. We are dealing less with the specifics of military strength and more with the intangibles of diplomacy. It is paradoxically a happier and at the same time a more difficult position to be in.

The basic problem, as General Gruenther indicated, is that caused by our approach to the economic ceilings which limit the military efforts not only of the

United States but also of our allies.

## Our Economic and Military Dilemma

This confronts us with two choices:

One, we can restrict our military buildup to keep it below the economic ceiling and in so doing run certain security risks; or

Two, we can raise the economic ceiling.

Now, it is true that we have come a long way toward correcting the awful weakness with which we faced the Soviets only a few years ago. But we have by no means done the whole job, and there is certainly nothing to justify complacency.

Europe is now producing much of its own needed military equipment, but not yet enough. Machine tools are at work, production lines are moving, and defense equipment is coming off the assembly lines. I have no doubt that the Russians are worried to see the Western European military vacuum being filled. They don't like to see nations with strength enough to defend themselves.

It is no time for us to weaken when we begin to see results. We need to keep our own defenses in shape. But in doing so, we must remember that a defense program which fails to take into account our total economic resources is self defeating. An army that is not backed by a sound economy is not much of an army, no matter how big it is.

These hard facts seem to me to leave only one thing for us to do, and that is to raise the economic ceiling. If the free world puts its shoulder to the wheel to increase production we should be able to have both more guns and more butter—a better defense and at the same time, a higher standard of living.

That was the great achievement of the Marshall Plan; for without the increase in total production which the Marshall Plan made possible in Western Europe, those countries could never have undertaken the defense effort which they are making today. Some way must be found, however, to enable them to continue this effort without permanent assistance from the United States. And some way must also be found to enable the United States itself to maintain its own defense effort without pushing tax rates beyond the point of diminishing returns.

This is a matter of dollars and cents, and there is perhaps no field of our international relations which is in greater need of hard-headed review than these economic aspects of foreign policy.

Just this kind of review is now in progress by a specially-appointed Commission on Foreign Economic Policy, which is composed of some very able and eminent men, including two members of my own Foreign Relations Committee. I do not know what this Commission's conclusions and recommendations will be, but I do know that they will be carefully thought out and worthy of the most serious consideration by all the American people.

I am not myself going to try to give you a final answer to this problem. I am merely going to try to define more precisely some of the questions which must be answered and thereby to stimulate your own thinking.

The answers to these questions are not going to come from any single individual or group. They are going to emerge only from widespread, informed public discussion.

Our foreign economic policy must be based on the largest area of public agreement we are able to get. Now, obviously, we will not be able to please everyone, for any policy we follow will undoubtedly affect some people adversely. We must take as our

point of departure the principle of the greatest good for the greatest number. At the same time we should never forget that the greatest market of all is the American market and that market belongs primarily to the American producer.

## New Factors in World Trade

There are new factors in world trade patterns today which cannot be ignored. These factors are both economic and political, but they are so closely interwoven that it is difficult to separate them—and unnecessary to do so in any event.

One of these factors I have already mentioned—the slow-down and coming end of large-scale United States foreign assistance. Our allies must find some way to make up the gap that will leave.

Another new factor is the drastic reduction in the free world's trade with the Soviet bloc. This is the direct result, of course, of the threat of the Soviet Union and its satellites which has made it necessary for the free nations to take steps to deny the Soviet access to goods which would increase Communist military strength. To a lesser degree, because they have lesser resources available, the Soviets have taken steps to interdict free world access to similar goods.

These economic dislocations resulting from the cold war make it necessary for many—perhaps most—nations of the free world to rearrange their foreign trade or to take other compensatory economic measures. This has greater repercussions on some of our allies than it has on us. They have deprived themselves of markets in the Soviet bloc. The more difficult it is for them to find other markets, the greater will be the economic need for them to trade again with the Soviets.

Recognizing this, the Soviets are doing all they can to enhance the attractiveness of East-West trade. It is just another of their tactics to break up the unity of the free world.

## The United States as a Market

For most of the free nations, the most conspicuous and most desirable alternative source of trade to the Soviet bloc is the United States. Selling more to the United States is also the most attractive and obvious answer which occurs to most of these countries—and to many Americans—to the problem of how to make up for diminishing American assistance.

We are the world's wealthiest nation. We are also its biggest creditor. Since the end of World War II, we have sent more than \$40 billion abroad in the form of outright gifts simply because other nations did not have the dollar resources to buy the things they needed. We are coming to an end of that process, but we still find our exports exceeding our imports by about \$400 million a month. Invisible imports, chiefly in the form of tourist expenditures, dollar remittances by U. S. residents, shipping, and insurance, do something—but by no means enough—to close that gap.

When our exports exceed our imports by these great amounts either our exporting people—including farmers and industrial workers—don't get paid or we all foot the bill through the U. S. Treasury.

Indeed, so powerful is the attraction of the United States as a market that that alone threatens to cause economic distortions. The American dollar is the most sought after currency in the world—so much so that many governments are tempted to neglect other sources of foreign exchange in pursuit of the dollar.

## Our Stake in Foreign Trade

The United States has a more immediate interest at stake, however. We are the world's most

economically efficient nation, with the lowest costs of production and the highest wage levels.

In the course of achieving this

happy state, we have become

critically dependent on foreign

sources of supply and also on for-

ign outlets for important but

marginal amounts of our produc-

tion.

The United States is at the same

time the world's greatest exporter

and also the world's greatest im-

porter. That may come as a

shock to some of the people who

think of us as a low-import coun-

try, but it is a fact. Our total

exports and imports last year

were more than \$23 billion—about

7% of our gross national product.

That is a small percentage, but a

critical one. If we could not im-

port nickel or chrome, we could

not make such things as surgical

instruments or food-processing

equipment. If we could not im-

port cobalt, we could not make

such things as enamels, inks, lin-

oleum, or paints. If we could

not import industrial diamonds,

we could not make cutting tools.

If we could not import asbestos,

we could still make steam pipe

insulation out of glass fiber—but

it would be five or six times more

expensive. To make the special

steels used for such things as jet

engines, machine tools, and con-

struction work, we need seven

types of materials—chromium, nickel,

molybdenum, cobalt, tungsten,

vanadium, and columbium-tantalite.

Of these we have only two in

the United States—molybdenum

and vanadium.

On the other hand, for many of our most important mass-production industries as well as for many of our farmers, exports mean the difference between profit and loss, although the exports themselves may be only a small fraction of total output. On a nationwide basis, these exports mean the difference between jobs and bread-lines, between prosperity and depression.

Take our wheat and cotton farmers for example. For many years they have sold abroad a fairly large percentage of their total production. For them the loss of foreign markets would be a very serious blow.

The implication is clear: The United States cannot go it alone economically any more than it can militarily or politically.

Thus foreign trade is important to the United States, and it is important to most of the other countries with which it is conducted. The economies of many countries, especially some of the smaller ones, are largely dependent upon a single product—such as sugar, bananas, or oil—and the market for this product is often largely in the United States. Consequently, a relatively small decline in industrial activity here may have disproportionate economic and social repercussions abroad.

From this set of facts, reasonable men may, and do, draw different conclusions as to the best course for the United States to follow.

## The Tariff Question

The debate has usually revolved around the tariff. There are those who, if they do not openly advocate free trade, at least argue that the solution is to be found in drastically reduced tariffs, and that we should permit—indeed, encourage—the greatest possible flow of imports into the United States.

There are others who maintain that tariffs should be raised above their present level to an extent that, in effect, would make foreign competition with any American industry impossible.

I venture to disagree with both these points of view and to suggest that the wisest course lies somewhere in between. I do not believe the United States can afford to become either a free trade

nation or an all-out protectionist nation. Our system of farm price supports, which maintain domestic prices above world prices for agricultural products, alone prevents a free trade policy.

On the other hand, although I have frequently said that the American market belongs primarily to the American producer, he cannot reasonably expect it as a gift from his government: he must himself take steps to secure it. Certainly we are not obliged to protect every high-cost inefficient producer from all possible competition. That would work to the detriment not only of our foreign relations but also of our own American consumers and the free enterprise system.

But I think it is missing the point to confine our discussion of foreign economic policy to the tariff. The importance of the tariff has been over-emphasized by both the free-traders and the protectionists—and also by some nations who blame the American tariff for keeping them out of the American market when what is actually keeping them out is not the tariff but their own lack of imagination and enterprise. Let's not forget that American tariff walls are lower than those of many countries.

Every businessman knows that anybody who wants part of the American consumer's dollar has to fight for it against some pretty tough competition. And the American brand of competition is something which a good many foreign businessmen tend to shy away from.

#### Tariff Administration and Stability

There are, however, two points about the tariff which need to be remembered but which are often overlooked in the controversy over rates. One is the method of administration. The web of red tape spun by our customs laws frequently has acted as a greater barrier to imports than the actual level of tariff rates themselves. In the last session of Congress, we passed the Customs Simplification Act; and although it has not been in effect long enough to assess its results, I am hopeful that it will eliminate a large part of the paper curtain which we had thrown up around our borders in the form of Customs Regulations.

Another thing to remember about the tariff is that it is frequently not the rates themselves, but the possibility that they will be changed at any moment which inhibits foreign trade and interferes with sound business planning. You are all familiar with the large investment and the years of patient effort which are required to build up a new market area. It should really not be too surprising that few foreign businessmen are willing to undertake this effort in the face of the possibility that they may be deprived of the fruits of their success by sudden, unilateral action by a government in which they have no voice.

Similarly, American businessmen have difficulty in making their plans if they are uncertain of just what competitive imports they will have to face at home—or of just what restrictions they will have to face on their export products abroad.

It would be a great boon to all concerned if both we and our allies could bring a greater degree of stability to our foreign trade policies. And these policies, it seems to me, must be multilateral if they are to succeed.

We tend to think too much in terms of trade simply between the United States and the rest of the free world. If we thought more in terms of reciprocal trade, we might find more generally acceptable courses of action—and

we would also be getting closer to the heart of the problem.

#### What Other Nations Can Do

The countries of Western Europe, for example, together constitute a potential market at least equal to that of the United States. This market has been largely undeveloped in the past because the countries involved have practiced the very same things that are so often criticized in the United States—such as tariffs and quotas—plus a few inventions of their own, such as blocked currencies.

I can't stress this point too much. The United States has grown strong economically, largely because our free enterprise system functions within a free market area serving 160,000,000 people. If the countries of Europe would only profit from our experience and permit the freer flow of goods across national boundary lines, they would enjoy many of the benefits we now have.

One of the most hopeful developments of recent years has been the movement toward the integration of this market which has reached its highest point in establishment of the European Coal and Steel Community. More popularly known as the Schuman Plan, this organization brings together the coal and steel industries and markets of six nations.

There are further steps that can be taken along this line, not only in Europe but in Latin America, the Far East and other parts of the free world. In the Middle East, for example, the Arab League Council has recently signed a Customs and Payments Agreement providing for the free movement of some agricultural products, making a 25% cut in tariffs on certain items, and increasing the free movement of capital.

I hope that both we and our allies will bring more imagination to bear on this problem and look for new solutions instead of getting bogged down in the same old arguments which rarely settle anything.

#### Economic Growth Means More for All

People do not think enough about ways and means of creating new markets. This static concept is fatal. The peculiar genius of the American economy is that it is expanding and dynamic. History is full of examples of how the fearful and the timid have been confounded by the appearance of markets to absorb new productive capacity for

which there appeared in advance to be no outlet. There is no need to be afraid of having too much; there is need only to be afraid of not having sense enough to use it. But even this fear is a remote one. The American economy has a marvelous absorptive capacity. Surely a people who have developed the most efficient system of production and distribution the world has ever seen need not concern themselves unduly on this score.

This is the kind of concept which we must somehow get across to our allies—the concept of an expanding economy which is not afraid of over-production but only of under-consumption.

No one nation—not even one so rich and powerful as the United States—can solve the free world's trade problems. Just as the nations of the free world have found it necessary to join forces for military defense, so is it necessary for them to join forces to raise the economic ceilings which are threatening not only to weaken their defenses but to lower their standards of living.

It has often been said that trade is a two-way street. Trade is not a two-way street. It is a

three or four or even eight or ten-way street.

The economic road for the free world to follow is one of increasing multilateral trade. There are many ways in which this can be done, and the United States must be prepared not only to join like-minded nations in doing it but also to take the lead in urging it upon our friends.

We will have to make some concessions, and we will have to get some. But a fair trade is one in which everybody benefits, and the more we have of it, the better off we will all be.

The road ahead will not be smooth. Like the one we have just travelled, it will be rough and hilly and full of detours. But the strength and the stability—yes even the survival—of the free world is at stake. We must, therefore, push on with a policy that is courageous and bold, but at the same time realistic and wise. If we will do that I am confident we shall reach our ultimate destination and win the second phase of the great struggle to keep men free.

## No Major Slump, Says Donald V. Fraser

President of Missouri-Kansas-Texas Lines holds there is danger of nation talking itself into a depression.

Speaking at a luncheon of businessmen in New York City, which followed the first meeting of the Katy Railroad's board of directors to be held in New York City in eight years, Donald V. Fraser, President of The Missouri-Kansas-Texas Lines, stated that current readjustments in many areas of the nation's economy should not be misinterpreted as the beginning of a major

slump. "It is true that there are readjustments underway in many fields of business activity, and there will be others before this current phase comes to a close," Mr. Fraser said, but added, "I don't feel that the essential ingredients are in the picture for a major slump."

Mr. Fraser said that the Southwest territory served by his railroad is continuing "its solid growth and development without a serious slackening of pace." He said that, in his considered opinion, "nowhere does the future appear brighter."

The St. Louis railroad executive warned that there was danger that the country might talk itself into a depression which, except for that psychological factor, "just wasn't in the making." He said that if such "alarmist talk" was kept to a minimum, the present period of readjustment would run its course without grave danger to the national economy.

#### Joins Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas C. Donoahue is with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

#### D. P. Newell Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Donald P. Newell has opened offices at 317 North Kings Road to engage in a securities business. Mr. Newell for a number of years was with Harris, Upham & Co.

## Arizona Dealers Urge Lower Capital Gains Tax

Henry Dahlberg, President of Arizona Association of Security Dealers, calls attention to resolution of the Association's Board of Directors, stating that present capital gains levy discourages sales of assets, and therefore brings in less revenue than if rate was lower.

"Increase Federal tax revenues by reducing the Capital Gains Tax." That was the recommendation made to Congress and the Secretary of the Treasury by the Board of Directors of the Arizona Association of Security Dealers, according to Henry Dahlberg, President of the statewide association.

In a resolution unanimously adopted by the Association's Board of Directors, at a special meeting in Phoenix, on Oct. 28, the investment men declared that the present "Capital Gains" rate discourages sales of assets and brings in less Federal tax revenue than would a lower rate and shorter holding period.

"Experience indicates," the dealers declare, "that the reduction of the holding period to three months and the reduction of the maximum long-term capital gains tax rate to 13% would greatly increase the number of taxable transactions and result in an overall increase in revenue to the Federal Treasury."

In their message to Congress and the Secretary of the Treasury, the Association Board declared that "billions of dollars of additional equity financing will be needed by American industry in the next few years to provide more equipment and employment for more workers in order to keep pace with the normal population growth of the country." They described their proposal as a means of:

(1) Encouraging investments in American industry and real estate.

(2) Encouraging sales for reinvestment.

(3) Increasing the number of taxable sales.

(4) Increasing the total Federal tax receipts from capital gains.

(5) Helping to balance the Federal budget.

Be it further resolved that we urge the following changes to correct inequities:

(1) Give all investors the relief recently granted home owners, permitting reinvestment within a definite period without tax liability.

(2) Permit offset of as much as \$5,000 of net capital losses against ordinary income, each year for as long as six years.

(3) Give individuals a tax credit on dividend income received from corporation earnings on which Federal taxes have already been paid.

Adopted unanimously this 28th day of October, 1953.

HENRY E. DAHLBERG,  
President

Randolph E. Soranson,  
Secretary

## Cutter, Plummer & Bennett Formed in NY

Cutter, Plummer & Bennett will be formed as of Nov. 16, with offices at 30 Broad Street, New York City, to conduct a general investment business specializing in state, municipal and public revenue bonds. Partners of the new firm will be George H. Cutter, Jr., James A. Plummer and Frank S. Bennett.

Mr. Cutter and Mr. Plummer were formerly partners in Cutter & Plummer. Prior thereto Mr. Cutter was for many years with C. F. Childs & Co., and Harvey Fisk & Sons, establishing his own business in 1940. Mr. Plummer who had been associated with W. C. Langley & Co. for 12 years and with F. J. Young & Co. for 15 years, joined Mr. Cutter in 1949.

Mr. Bennett was with C. F. Childs & Co., First Boston Corporation and Gertler, Devlet & Co. He formed Bennett Bros. & Johnson in 1934, Brown, Bennett & Johnson in 1940, and F. S. Bennett & Co. in 1948.

Whereas, this taxing of capital penalizes investors by reducing the amount left for reinvestment in another business or property and reduces the amount of capital available to finance industry, and

Whereas, American industry will need many billions of dollars of additional private equity financing in the next few years to provide more equipment and employment for more workers in order to keep pace with the normal population growth of the country, and

Whereas, 42% of those paying capital gains taxes in 1950 had

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS  
NEW BRANCHES  
NEW OFFICERS, ETC.  
REVISED  
CAPITALIZATIONS

J. Ed. Warren, former Deputy Administrator, Petroleum Administration for Defense, is joining the staff of The National City Bank of New York as Petroleum Consultant.

Mr. Warren, as head of the bank's petroleum department, will have associated with him Bernard T. Stott, Assistant Vice-President and James E. Gallagher, Assistant Cashier, both of whom have been active in National City's contacts with the petroleum industry.

Appointment of Gerard J. Creamer as an Assistant Vice-President and Frederick A. Sunderman as an Assistant Treasurer of Manufacturers Trust Company, New York, was announced on Nov. 6 by Horace C. Flanigan, President. Both men are assigned to the Eastern Division.

Mr. Creamer has been associated with Manufacturers Trust since 1939. In 1949 he was appointed as Assistant Treasurer.

Mr. Sunderman came to the bank in 1952.

E. Chester Gersten, President of The Public National Bank and Trust Company of New York, announced on Nov. 6 the appointment of Frank R. Darrell, head of the Foreign Collection Division, an Assistant Manager of the Foreign Department at main office.

The board of directors of the Commercial State Bank and Trust Co. of New York, have declared a \$1 semi-annual cash dividend a share in addition to a 10% stock dividend payable Dec. 18, to stockholders of record on Nov. 6, it was announced on Nov. 5 by Jacob Leichtman, President.

A special meeting of stockholders will be held on Nov. 19, to vote on a proposal to increase the bank's capital stock from 50,000 to 66,000 shares of \$25 par value, Mr. Leichtman stated. Five thousand of the proposed increased shares would be distributed as a stock dividend on Nov. 24 to stockholders of record on Nov. 23, with the remaining 11,000 shares to be offered to stockholders of record on Nov. 24 at \$45 a share. Stockholders would be offered shares in the ratio of one share for every five held, with rights to expire on Dec. 10, 1953.

Last year, Commercial State Bank & Trust Co. declared a \$1 semi-annual cash dividend in addition to a 25% stock dividend to stockholders.

Eighteen new members were inducted into Central Savings Bank's Quarter Century Club at a dinner on Nov. 10. James T. Lee, President of the bank, will present a \$50 savings bond and a gold pin to each new member.

This brings to 60 the membership in the club. The new members are: John W. Bugsch, Andrew L. Weiss, Milton Rich, Anthony L. Delionado, Herman Riedrich, Sam B. Allen, Valentine Hemlin, David J. Gamache, Charles W. Schmidt, Hugo A. Baessler, John E. Danko, August P. Eckel, Francis J. Scully, Frank Peterka, Barbara L. Weiman, Victor U. De Russo, Joseph P. Hospod and John Blazek.

Otto Strippel, Trustee, Vice-President and Treasurer of the bank holds the club record with more than 49 years of service. Other members who hold long service records and who are Trus-

The approval was issued in connection with the merger of Marine Midland Trust Company of Binghamton, Marine Midland Trust Company of Cortland, Workers Trust Company, Johnson City, into Elmira Bank & Trust Company under the name of "Marine Midland Trust Company of Southern New York."

By the sale of new stock The Merchants National Bank & Trust Company of Syracuse, New York increased its common capital stock from \$1,000,000 to \$1,200,000 effective Oct. 27.

The First National Bank of Falls Creek Pennsylvania with a common capital stock of \$50,000 went into voluntary liquidation and was absorbed by Du Bois Deposit National Bank, Du Bois, Pennsylvania, as of the close of business on Oct. 24.

A special meeting of its stockholders of the Central National Bank of Cleveland, Ohio, on Nov. 2 approved the proposal to increase the capital stock by sale of 140,625 shares.

The proposal appeared in the October 29th issue of the "Chronicle," page 1642.

A certificate was issued Oct. 23, approving and making effective, as of the close of business Oct. 24, 1953, the consolidation of The First National Bank of Columbus, Columbus, Georgia, with common stock of \$300,000, and Merchants and Mechanics Bank of Columbus, Georgia, with common stock of \$200,000. The consolidation was effected under the charter and title of "The First National Bank of Columbus."

At the effective date of consolidation the consolidated bank will have capital stock of \$1,000,000, divided into 100,000 shares of common stock of the par value of \$10 each; surplus of \$1,000,000; and undivided profits of not less than \$206,565.

Directors of Chicago Title and Trust Company, Chicago, Ill., approved on Nov. 4 plans for a merger of DuPage Title Company, Wheaton, Ill., into Chicago Title and Trust Company.

The business of DuPage Title Company was founded in 1873 by Jonathan G. Vallette and later passed into the hands of T. M. and D. C. Hull. It became known as the DuPage Title Company in 1925, when Chicago Title and Trust bought an interest in the company.

It was announced that Byron S. Powell, President of DuPage Title Company has been elected a Vice-President of Chicago Title and Trust Company and will continue to head the operation in Wheaton after completion of the merger. This will not occur until approval is secured from stockholders of both companies at annual meetings early in January.

In addition to announcement of the merger plan and election of Powell as a Vice-President, the following elections and new appointments were announced by Chicago Title and Trust Company.

Edward J. Sauter, President of Illinois Title Company, Waukegan, elected a Vice-President; Chester C. McCullough appointed Assistant Vice-President in the title division; Harry E. Frey, Assistant Vice-President, transferred to a newly created position related to legal and market analysis; and Francis E. O'Connor, appointed Assistant Vice-President in charge of the Illinois department.

The First National Bank in Bartlesville, Oklahoma increased its common capital stock from \$500,000 to \$600,000 by a stock dividend effective Oct. 30.

The common capital stock of 000, a \$150,000 surplus and \$50,000 in undivided profits.

The Idaho First National Bank Boise, Idaho increased its common capital stock from \$3,000,000 to \$3,500,000 effective October 26, \$375,000 of the increase was brought about by sale of new stock and \$125,000 by a stock dividend.

Graham Morrow, O.B.E., has been elected a Director of The Canadian Bank of Commerce (Toronto) the bank announced on Nov. 5.

## SEC Adopts Rules Regarding Disclosures of Stock Options Granted Officers & Employees

Information of such options for any year ending on or after Dec. 31, 1953, must be filed as part of registration statement or report of a registered corporation.

According to a recent release of the Securities and Exchange Commission, a new rule, entitled Rule 3-20 (d) of Article of Regulation S-X, concerning treatment of stock options granted by corporations as compensation to their officers and employees, has been adopted applicable to financial statements of registered corporations for the fiscal year ending Dec. 31, 1953, and thereafter.

The text of the Commission's action follows:

The Securities and Exchange Commission, acting pursuant to authority conferred upon it by the Securities Act of 1933, particularly Sections 6, 7, 8, 10 and 19(a) thereof, the Securities Exchange Act of 1934, particularly Sections 12, 13, 15(d) and 23(a) thereof, the Public Utility Holding Company Act of 1935, particularly Section 20 thereof, and the Investment Company Act of 1940, particularly Sections 8, 30, 31(c) and 38(a) thereof, and deeming such action necessary and appropriate in the public interest and for the protection of investors and necessary for the execution of the functions vested in it by the said Acts, hereby adopts the following rule to be added to Article 3 of Regulation S-X:

### "Rule 3-20(d). Capital Stock Optioned to Officers and Employees:

"(1) A brief description of the terms of each option arrangement shall be given, including (i) the title and amount of securities subject to option; (ii) the year or years during which the options were granted; and (iii) the year or years during which the optionees became, or will become, entitled to exercise the options.

"(2) State (a) the number of shares under option at the balance sheet date, and the option price and the fair value thereof, per share and in total, at the dates the options were granted; (b) the number of shares with respect to which options became exercisable during the period, and the option price and the fair value thereof, per share and in total, at the dates the options became exercisable; and (c) the number of shares with respect to which options were exercised during the period, and the option price and the fair value thereof, per share and in total, at the dates the options were exercised. The required information may be summarized as appropriate with respect to each of these categories.

"(3) State the basis of accounting for such option arrangements and the amount of charges, if any, reflected in income with respect thereto."

The foregoing action shall be effective with respect to financial statements for any fiscal year ending on or after Dec. 31, 1953, filed as a part of any registration statement, application for registration, or report.

## Gen. Precision Equip. Offer Underwritten First Public Financing

The first equity financing undertaken by General Precision Equipment Corp. since its formation in 1936 began on Nov. 7, with the offering to the company's common stockholders of 108,167 shares of \$2.90 cumulative convertible preferred stock, without par value. The new preferred is priced at \$50 per share and is being offered at the rate of one share for each six shares of common stock held of record on Nov. 6, 1953. It is convertible on the basis of \$50 per share into common stock of the company at a conversion price of \$25 per share of common stock, and is redeemable at the option of the company at \$53 per share on or prior to Nov. 30, 1958, and at prices decreasing to \$50 per share after Nov. 30, 1968.

At the expiration of the subscription period on Nov. 23, 1953, an underwriting group headed jointly by The First Boston Corporation and Tucker, Anthony & Co. will purchase any unsubscribed shares.

General Precision, which has undertaken a program of expansion and diversification of its business since 1940, through acquisitions of several companies, will use the proceeds from the current financing to repay bank borrowings incurred in this expansion and to increase general corporate funds. Through its 17 active domestic subsidiaries the corporation is the largest single domestic supplier of motion picture theatre equipment and supplies and an important supplier of television studio equipment, as well as a leading manufacturer of automatic industrial process controls and equipment. It is also engaged in research, product development and production of control systems and related components for the Armed Services.

Consolidated net sales of the company and its subsidiaries have risen from \$9,100,000 for the calendar year 1940 to \$54,300,000 for the year 1952 and \$55,600,000 for the first eight months of 1953. Net income for the year 1952 amounted to \$1,255,278 or \$1.88 per common share while for the first eight months of 1953, consolidated net income was \$2,032,013 or \$3.07 per common share.

Since 1941, dividends on the corporation's common stock have been paid quarterly at the annual rate of \$1 per share. Three dividends of 25 cents per share each have been paid to date in 1953.

## John Reno Joins Carl M. Loeb, Rhoades

Carl M. Loeb, Rhoades & Co., 42 Broadway, New York City, members of the New York Stock Exchange, announce the appointment of John W. Reno as manager of the firm's municipal bond department. Mr. Reno has been in the investment banking business 27 years, the last eight of which he has been with Schoellkopf, Hutton & Pomeroy, Inc.

## W. W. Woods Joins Bateman, Eichler & Co.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, Calif.—William W. Woods, Jr. and Peter J. Eichler have become associated with Bateman, Eichler & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Woods has recently been associated with J. R. Williston, Bruce & Co. In the past he was an officer of Fox, Castera and Co. and Edgerton, Riley & Walter.

## Securities Salesman's Corner

By JOHN DUTTON

### "Where Can I Get Good Salesmen?"

Ferd Nauheim of Fund Services of Washington, Inc. (1015 Woodward Bldg., Washington 5, D. C.) has covered this topic in a very capable way; he has a booklet on the subject which I am sure he will send you if you would like to read it.

In most respects I agree with him when he states that it will only be a pipe dream as far as selling the general public on investing in securities and Mutual Funds, unless the industry can obtain qualified salesmen. I have had contact with a number of dealers who have tried to hire untrained men, without any real screening of their aptitudes and they have all decided that they wasted their time and effort. I have had some personal experience along this line myself and I believe that Nauheim is right when he states that unless a man has certain specific qualities that he will not be successful selling Mutual Funds or general securities.

I am not going to review his suggestions here—but he does offer some constructive ideas and a specific solution to the problem. If you want to write to him I am sure that he will be pleased to cooperate and send you his booklet.

#### You Must Inspire Confidence

Next to the ability to courageously keep on building day after day, whether you meet with immediate success or not, it is my opinion that a salesman of securities must be able to inspire confidence to a much larger degree than salesmen in other lines. Without this intangible quality it is practically impossible to create sufficient faith on the part of the customer to obtain not only one initial order, but also to continue the relationship with the customer and inspire cooperation and radiation, without which a man must always plow new ground. This ability to inspire confidence must be analyzed by experts—I don't think you can determine whether or not a man has it from an interview based upon surface indications. There is an answer to this problem available today and it is covered in Nauheim's article.

#### Training Is Necessary

The idea has been suggested that, since Mutual Funds are not too difficult to understand, they can be sold successfully by relatively inexperienced salesmen. If there was a short cut to success in the retailing of securities I would have liked to have discovered it years ago. But I still don't believe it. I have had experience contacting people who had never bought securities in their lives. Without an understanding of the broad general principles of investment, without the ability to guide and lead them through a maze of questions and doubts, including the most elemental phases of investing, I am sure that these people would not have bought Mutual Funds, or unlisted securities. They might not have bought solid blue chips listed on the New York Stock Exchange either, even though they sometimes started out with a thought that A. T. & T. might be good for them, or something similar. And while I am on this subject, I don't think it is possible for any man to go out and sell listed securities on an investment basis to ODD LOT investors who are first time security buyers, and make it pay. There isn't enough money in that business—not enough volume to begin with—and even with the increase in commissions the compensation

for the work involved is too small to be attractive to a man who has the qualifications to become a good securities salesman.

Mutual Funds, Municipal bonds, and unlisted and local securities offer 5% and more to the dealer—this is absolutely the bare minimum that any salesman can afford to work for on a 50% commission return. It is the least that any dealer can earn and still cover his overhead, including his expensive prospecting, advertising and promotional efforts. I am not in agreement with those who anticipate a rosy 40,000,000 American investors without the assistance of a dynamic and constructive sales campaign that includes as number one on the agenda: the hiring of salesmen with the natural aptitudes for success in the securities business, the ability to train them, and the financial resources to back them up until they make good.

### Blyth Group Offers No. Natural Gas Dbs.

Public offering of \$25,000,000 Northern Natural Gas Co. 3 1/8% sinking fund debentures due 1973, was made on Nov. 10, by an underwriting group headed by Blyth & Co., Inc. The debentures were priced at 101% and accrued interest to yield 3.55% to maturity.

The debentures have a sinking fund beginning in 1956 which is calculated to retire 90% of the issue prior to maturity. Sinking fund redemption prices range from 100.96% to the principal amount. Optional redemption prices scale from 104% to the principal amount.

Proceeds from the sale will be used by the company to repay \$16,000,000 of short-term bank loans and the balance with the proceeds from a recent sale of 250,000 shares of preferred stock will be applied to construction designed to increase the system salable capacity to 1,007 million cubic feet per day.

The company owns and operates a pipeline system of approximately 5,872 miles of main, lateral and gathering lines for the movement of natural gas purchased principally from the Amarillo (Texas Panhandle) and Hugoton (Texas, Oklahoma and Kansas) gas fields to points in Kansas, Nebraska, Iowa, Minnesota and South Dakota. The gas is locally distributed through the company's People Natural Gas Division to approximately 6,605 direct commercial and industrial customers for their use, and sold at town borders for consumption and resale by 26 non-affiliated gas utility companies.

The company has been granted a certificate by the Federal Power Commission for construction of facilities to take initially 200 million cubic feet of gas per day from Permian Basin Pipe Line Co., whose common stock is 84% owned by Northern Natural Gas. The cost of such facilities is estimated at \$45,000,000 for the 1953 portion of the project.

Consolidated summary of results of operations of Northern Natural Gas Company and subsidiaries for the 12 months ended June 30, 1953 shows operating revenues of \$60,612,124 and gross income before interest charges of \$10,853,086.

## Sincerity—Basis of Salesman's Technique

By G. M. LOEB\*

Senior Partner, E. F. Hutton & Company  
Members New York Stock Exchange

Mr. Loeb, stressing sincerity as indispensable to successful salesmanship, holds salesman must believe in the value of what he sells, and assume a buyer's attitude toward the product. Contends successful salesmanship can prevent any decline in business and raise even further the standard of living.

I'm going to try to stick to one others offered to me for the same reason. It used to be that salesmen were not very scientific.

Some were good and some were not. But, nowadays, it seems all salesmen read the untold number of books, not only on selling but how to win friends and influence people. They hear a lot of talks like this on the subject.

All these books and all this talk concentrate on how to sell and not anything seems to be said in any of them on what to sell. I think so many are so busy learning how to sell that they miss what I feel is the real point. The real point, as I see it is sincerity. One must start by being sold oneself on the product or service that one has to sell. This is the most successful sales technique I know.

Therefore, I have one suggestion for the evening and that is that each of you turn your back to selling for a day or two, and become a buyer. Go out among your competitors and see what they have to offer and how they offer it, and decide if you would be their customer or your own customer, if you were a free agent.

This seems like simple advice but realize that we all so often escape doing the obvious. It may be that in our own affairs we really cannot see the forest for the trees. Each of us must see how our business looks from the buyer's point of view. I try to look at my business from that angle. When I travel I generally drop into other brokerage firms to compare their service with ours. I write blind letters to my own firm to see how they are answered. Once I wrote to my firm, and six others. The reply I got from ours was only third-best. So I went to work to do something about it, so that next time it would be the best. However, you must do this at regular intervals. Doing it once won't help very much. The competition moves ahead and they may be doing it differently and better.

There is another angle. In these days of order-takers rather than salesmen too many sellers think they are dealing with a captive customer. The service or product of their competitors may be equally poor or over-priced so they take it for granted that, as the buyer is a captive and must buy from someone, they can rest on their oars. They are due, in my opinion, for a very awakening. Some other industry may lure their dollars away, or, as is happening now, the captive isn't a captive any more. There used to be captive motor-car buyers. Now the dealers are the ones who are captured.

Maybe I'm really a bad salesman because I could not sell anything I did not believe in. I have had three jobs in my life. I quit two because I did not believe in them. I did not accept many

\*Speech by Mr. Loeb at a meeting of the Sales Executives Club of the Mid-Hudson Valley, Oct. 26, 1953.



G. M. Loeb

others offered to me for the same reason.

Yet, I must admit that I have seen some very great salesmen sell what I knew to be inferior articles. These men were so great, so successful, I wondered whether they were insincere, or whether they were blinded in this one point of not knowing how poor the product they sold really was. Some of them actually did know because they told me, "Don't tell me what's wrong with my product. I want to believe in it or I could not sell it." Now that's not the kind of sincerity I'm talking about. In my book if your product is not right, make it right or get another job. I know this—it's better to look at what you sell first, and all know it's right, then concentrate all your efforts on selling any old thing.

I'm invited here tonight because Mel Hickerson knows I have been successful to a degree in selling, and that I can thus only preach what I first practiced. In Mel's great book, "How I Made the Sale That Did the Most for Me," I started off with this self-same idea that you sell anything to anybody unless you first sell it to yourself. So, my rule for successful selling is rather simple and it has worked with me. It calls for being sure yourself of the value of what you sell before you apply the popular selling approaches or the Dale Carnegie technique.

Of course, you cannot sell without contacts. And, it goes without saying that the more people you meet the more contacts you will make. But, I believe that when you meet people you must be sincere again in trying to help them in any way you can, without directly seeking their business. If you follow these two principles sincerely, you won't have to sell—people will buy from you. In the story I wrote for Mel Hickerson I know there was one sentence in the book that he liked the best. It said, "All my life I have wondered why so few achieve something that that is so easy—being a successful salesman."

In conclusion, my business is stocks and bonds and it involves economics and business as well as market forecasting. A lot of people are concerned nowadays because our productive capacity is so very large and we have had so many years of boom business and large-scale consumption. If our salesmen do their jobs and sell things to people who need them, or get pleasure from them, they can feel they are helping to keep the country prosperous and doing the nation a service. Successful salesmanship now can completely prevent any feared decline in business and, instead, raise even further the American standard of living.

### Melvin Hass Joins William R. Staats & Co.

GLENDALE, Calif.—William R. Staats & Co., members of the New York and Los Angeles Stock Exchanges, and other leading Exchanges, announces that Melvin H. Haas has been appointed manager of their Glendale office, Security First National Bank Building. Mr. Haas was formerly with J. R. Williston, Bruce & Co.

Continued from page 6

## Management of the Public Debt

ing have some of the characteristics of Treasury cash deficits and surpluses. When debt funding is undertaken double forces are generated by Treasury debt operations. Sometimes the two forces act in the same direction. At other times they offset each other. The power of each force varies first with its size, which is relative to the net demand and supply of the various types of Treasury securities, and second, with changing conditions in the capital markets and in the general character of the existing business situation. By measuring the direction and power of these two forces under changing economic assumptions it is possible to reach certain firm conclusions about debt management.

For example, the best time for the Treasury to fund its short-dated debt is when it has a sizable cash surplus, because the retirement of short-dated debt with this surplus releases funds for other investment. This, of itself, might leave a net excess of investment funds which would seek reinvestment in Treasury and other securities. Simultaneous debt funding operations would bring about a second decrease in the short-dated debt and, unless the private credit demand were quite excessive, these two increments of debt reduction would assure the Treasury of a confident and receptive market for intermediate and longer-term bonds.

In similar fashion, the most difficult time for the Treasury to attempt to fund debt is when it must finance a deficit and the demand for private credit is strong. In this background, the Treasury can offer most non-bank institutions little incentive to increase their holdings of Treasury securities regardless of type, because private borrowers will bid aggressively for perhaps all or more than all of the available funds. Moreover, if the Treasury were to persuade the non-bank lending institutions to pledge some of their funds to it, a lesser amount would be available for private borrowers who then would try to outbid one another, and the Treasury, more strongly. The result would be a lower level for bond prices than otherwise would exist.

Further, it should be kept in mind that strong competition among private borrowers cannot be counted upon, as much as it used to be, to drive a sufficient demand out of the market to permit a redressing of the imbalance between savings and investment and demand. Today, taxes are high and a correspondingly large portion of the cost of borrowed money is borne by the Treasury. Therefore, it becomes more difficult to bring about a reduction in demand for money by increasing its cost. Money tends, more than it did in the past, to become *unavailable* before its cost becomes *too expensive*. As money begins to become unavailable the danger of disrupting the capital markets and of disturbing commerce and industry becomes enlarged.

There are all sorts of variables in this kind of a picture but, to me, it is inescapable that when business is good a Treasury surplus is the key to whether debt management can be as sound as all of us would like it to be. And, it becomes both difficult and hazardous to attempt to fund the short-dated debt if the Treasury doesn't have a good cash surplus and business is booming.

There are, of course, other situations wherein it becomes very easy to sell intermediate and long-term bonds. These would include times when the general demand for private credit is rather

low and business is not so good or worse. How much funding then should be undertaken will depend upon how important it may be to keep lenders and investors under pressure to create a demand for mortgages and other forms of private productive credits.

### What About Free Markets for Treasury Securities?

Last April Federal Reserve Chairman Martin made a speech in Detroit to which he gave the title — "The Transition to Free Markets." This talk became controversial largely, I believe, because many people judged it on the basis of excerpts appearing in the press. I thought it excellent and I believe that on a full reading most persons would agree.

Mr. Martin said, as I read his remarks, that the greatest good for the greatest number requires some regulation of our daily lives but such regulation should be the minimum that will do the job. He added that we cannot have absolute freedom in human affairs and this was true of free markets.

In other words, free markets are not strictly free. They are subject to the influences of Federal Reserve credit policy and of debt management and are affected, as are both of these, by the results of fiscal policy, namely, the Treasury's cash budget. Anyone who thinks differently would find that he would lose substantial sums of money very quickly if he were to try to deal in government securities.

The term "free markets" is best used to contrast the present ability of prices and yields to reflect the judgments of the marketplace against what went on when the Treasury was dictating the rates at which it would finance and the Federal Reserve was preoccupied with supporting these rates.

Unless, and until the Federal Reserve System finds it cannot comfortably conduct its open market operations through the medium of transactions in Treasury bills, it should continue to avoid transactions in other types of Treasury securities. Once an excuse or the necessity arises to intervene in a market, it is only human to discover an increasing number of reasons for more and more intervention. In fact, when the normal functioning of a market has been thrown out of gear, its subsequent malfunctioning will seem to call for just such additional doses of intervention.

What applies to Federal Reserve open-market operations also applies to the purchases and sales effected for Treasury accounts—they should not be used for stabilizing purposes.

Anyone who opposes free markets of the type we have today is knowingly or otherwise an advocate of regimentation. Mr. Martin put it this way: "... dictated money rates breed dictated prices all across the board. This is characteristic of dictators. It is regimentation. It is not compatible with our institutions."

The situation as it developed during the first half of this year proved to be of the type in which debt funding was bound to meet with maximum difficulties. It is worth while devoting some time to it because it was an unusual situation if the goal of a trustworthy dollar is to be achieved and maintained.

Business boomed with no visible let-up resulting from the Red peace offensive in Korea. The demand for bank credit was strong. Commercial loans underwent less than the usual seasonal contraction. Capital market activity was extraordinarily high.

Credit policy was definitely restrictive from January through

mid-May. The first attempt of dinarily good, as good as any in the new Treasury team to fund its history.

The management of the public debt throughout this period has not been perfect but it has been conducted along lines consistent with the eminently sound precepts set forth by the responsible officials. These deserve national commendation and support.

In view of the high levels of business activity, the excessive short-term debt and the likelihood of a large cash deficit, it was compelling on the Treasury to try to place its debt outside of the banks.

This could be promoted, in the attendant circumstances, only by pricing its issues attractively and contributing to the inevitable increase in money costs.

On the whole, the situation as it developed during the first six months of this year vividly outlines two things: one, the interrelationship and interdependence that exists between fiscal, debt management, and credit policies and the manner in which weakness in one promotes weakness in the other two; second, the necessity that the Treasury have a sizable cash surplus when business activity, incomes and employment are high.

Management of the public debt has to proceed from sound principles, but working out a reconstruction of the debt is like drawing the plans for a house while trying to solve a jigsaw puzzle. You have to know what kind of a house you want and you can't work out the puzzle unless you use all the pieces. It's doubly tough to do both at once.

Almost one-third of the total one year debt held by the general public is in the hands of business corporations. Such holdings may hardly be said to be susceptible to funding into intermediate and long-term bonds. This debt ownership of maturing securities may explain the Treasury's preference for "basket," or double, refunding offerings.

Even so, the one year debt is apt continuously to be held largely by business corporations and commercial banks because investors such as insurance companies, savings banks, etc., follow a practice of selling securities as they shorten in order to reinvest elsewhere. They rarely wait for the Treasury to do their refunding for them.

The problems originating from the ownership of these short-dated issues would be lessened if the commercial banks were permitted to pay interest on demand deposits.

On April 9 the Treasury publicly stated it would need \$2 billion to tide it through June 30—the close of the fiscal year. No reference was made to the needs of the summer. On April 23 the Treasury had to backtrack on this statement to say that it would need a larger sum. No estimate of the increased amount was provided. By mid-May the Treasury had raised \$1,300 million, of which \$1 billion was from 3 1/4s. During the last half of the month, the Treasury hit the bill market for \$1,200 million and in June, it hit it for \$1,300 million more, and in July for about \$6 billion through comparable securities.

Some of the cash financing done in May was a surprise, namely, the offering of \$800 million of tax anticipation bills on May 25. The market had no advance intimation of the offering. The Federal Reserve had been stepping up its injection of additional reserve credit but, as it turned out, not enough had been pumped in by this time. The selling climax in the bond markets came exactly one week later and was met head-on by bond purchases for Treasury accounts and by the massive purchases of Treasury bills for the Federal Reserve System.

### The Federal's Good Performance

The Federal Reserve's performance during this period, and for the past year, has been extraordi-

annum to become available, in the average, for the purchase of intermediate and long-term Treasury bonds by non-bank investors.

In closing, I would like to make briefly a few additional points. Both Treasury and Federal Reserve officials have talked about the need for a broader market for Treasury securities. The Treasury can help in this in several ways I shall mention two.

A broad market develops from large activity in the thing that is being bought and sold. If the activity is small you can't have a broad market. At the same time I am sure that neither the Treasury nor the Federal Reserve is anxious to increase the gross number of transactions in the market. That would prove nothing. The point, therefore, is that if we are to have a broader market for Treasury securities a greater portion of the total transactions that take place should be able to flow through a smaller number of issues. We have too many different Treasury issues to be able to make a broad market in most of them at the present time.

The markets in Treasury securities are made largely by what are known as primary dealers. A primary dealer is one who is willing to buy or sell at the prices he quotes for each of the different Treasury issues outstanding. For example, if a primary dealer makes a market to a customer of 98 16/32 bid and 98 18/32 asked, it means that he is prepared to buy or sell, whichever the customer wants to do, in reasonable amounts. The dealer may not know at the time where to resell the bonds he bought (or where to repurchase the bonds he sold). Yet, on his next call he may find a buyer. But is it for the securities that he bought? Frequently, the answer is no. So the dealer becomes locked in by owning bonds he can't sell and by having sold bonds he can't buy.

The extent to which the dealers may get tied up in commitments such as these will be much larger if \$10 billion of Treasury securities are issued in the form of five different issues than if they become outstanding in the form of one issue. In the first instance he has to make five markets and he may end up with five short and long commitments that will net him very little profit for his trouble and risk. In the second instance, his purchases and sales would result in reducing his commitments.

There are certain minor pros and cons involved in the desirability of opening up outstanding issues when the Treasury is engaging in a funding offering and certain others when it offers for cash. I don't believe these offer serious problems. In any event, the Treasury would contribute greatly to the development of a broader market for Treasury securities if it moved to build the debt in the form of fewer issues outstanding in large amounts instead of continuing to enlarge the number of issues, many of which are relatively small.

This leads me to a second way in which the Treasury may be helpful in developing a broader market. The Deputy to the Secretary of the Treasury seems to be inclined along these lines if I rightly judge references he has made with respect to the short-term debt. He has pointed out that the Treasury used to have only four issues maturing each year. These matured on the quarterly income tax dates. This, of course, excludes Treasury bill issues. The result was that the Treasury came to market to refund debt only four times a year. By contrast, the Treasury will have come to market this year nine or more times. What I have said earlier about working toward a smaller number of larger issues in general applies with greater force to the one-year debt. More

over, we could reconstruct the one-year debt along such lines within the coming year.

On each occasion when the Treasury has come to market this year, it has engaged in consultations and meetings of one kind or another over periods of from two to six weeks before it actually made its offering. The result has been that the market has been made unnecessarily subject to grapevine stories, rumors, and conjecture. At times, it has been almost impossible for dealers to make good markets in the securities affected, or throughout the whole range of the Treasury list, because they couldn't be sure what story tomorrow might bring from what might be termed a responsible source. The Treasury market would have to "stand aside" less if there were less frequent financing and a shorter consultation period before each financing.

On debt refunding I would like to introduce a thought that might speed up the process of debt reconstruction. A fair amount of 1-5 and 5-10 year debt is held by mutual savings banks and insurance companies. This also is true of other nonbank investors. Under usual practice, this debt eventually will become of one-year term before attempts are made to fund it, but by that time these investors will have sold these holdings. If the Treasury were to make exchange offerings, particularly to these nonbank investors, under which some of the 1-5 year debt could be exchanged for long-term bonds, I believe such exchanges would be received with enthusiasm. This assures, of course, that the terms offered are in line with market conditions. By such advance refunding the Treasury might reduce its problems of "tomorrow." Canada recently has done some such refunding.

In summation let me repeat the points I have tried to make.

Fiscal, debt management, and credit policies have considerable to do with the kind of money we have, and weakness in any one of these injects weakness into the other two, thereby imperiling the trustworthiness of our money.

In working out a reconstruction of the public debt the Treasury is faced with difficult problems arising from debt ownership because the short-term debt is apt, at all times, to be held largely by business corporations and commercial banks. The potential transfer of maturing debt to nonbank investors in the form of long-term bonds is unlikely to exceed an average per-annum rate of \$1-2 billion.

There are several ways in which the Treasury can promote the development of a broader market for Treasury securities. The most important is to build the debt so that we end up with fewer issues that are outstanding in large amounts instead of more issues that are outstanding in small amounts.

One way to reduce tomorrow's debt management problems, and to speed up the reconstruction of the debt, would be to make refunding offerings to nonbank institutions in exchange for issues that have a term longer than one year at the time.

Under a flexible credit policy and free markets, Treasury deficits are a force which tend to cause bond prices to decline and Treasury surpluses are a force which tend to cause them to rise. Free markets in Treasury securities are not strictly free, but are subject to the influences of credit policy, debt management and fiscal policy. The situation that developed during the first half of this year, during which bond prices declined sharply and interest rates increased substantially, should be attributed pri-

## Langley Group Offer L. I. Ltg. Co. Bonds

W. C. Langley & Co. and associates on Nov. 10 offered \$25,000,000 of Long Island Lighting Co. first mortgage bonds, series F 3 1/2%, due Sept. 1, 1983, at 100.929% and accrued interest. The group won award of the issue at competitive sale on Monday on a bid of 100.21%.

Net proceeds from the sale of the bonds will be used by the company for construction of utility plant or to repay bank loans which amounted to \$21,275,000 on Nov. 2, 1953, and were incurred in connection with the construction program. Construction expenditures from Sept. 1, 1953 to Dec. 31, 1955 are estimated at \$117,300,000, of which \$93,000,000 is for electric property.

The bonds will be redeemable, at the option of the company, at regular redemption prices ranging from 103.93% to par, and at special redemption prices ranging from 100.93% to par, plus accrued interest in each case.

Long Island Lighting Co. supplies electric and gas service in Nassau and Suffolk Counties and the contiguous Rockaway peninsula in New York City. Population of the territory served approximates 1,300,000, according to company estimates, and approximately 74% of its operating revenues are derived from electric service. The company owns five steam electric generating stations; 28 transmission substations and 111 distribution substations. Substantially all the gas distributed by the company in the year ended Aug. 31, 1953, was natural and reformed natural gas. Natural gas is purchased from Transcontinental Gas Pipe Line Corp.

For the 12 months ended Aug. 31, 1953, the company had operating revenues of \$63,378,000 and net income of \$7,160,000. Giving effect to the current financing, outstanding capitalization will consist of \$146,125,000 of long-term debt; 300,000 shares of preferred stock and 5,520,499 shares of common stock.

## Rodney Boynton With Stone & Webster Secs.

Stone & Webster Securities Corporation, 90 Broad Street, New York City, have announced that Rodney Boynton has become associated with the firm as a member of its Institutional Sales Department. He was formerly with Laird, Bissell & Meeds and H. F. Boynton & Co., Inc.

## Dietenhofer & Heartfield Formed in Southern Pines

(Special to THE FINANCIAL CHRONICLE) SOUTHERN PINES, N. C. — Dietenhofer and Heartfield has been formed with offices at 670 Southwest Broad Street to conduct a securities business. Herbert J. F. Dietenhofer is a partner in the firm. He was formerly Southern Pines manager for Southern Investment Co., Inc. and prior thereto was an officer of McAlister, Smith & Pate, Inc.

## Merrill, Turben Adds

(Special to THE FINANCIAL CHRONICLE) CLEVELAND, Ohio—Harry M. Russell has been added to the staff of Merrill, Turben & Co., Union Commerce Building, members of the Midwest Stock Exchange.

## Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The backing and filling which has been going on in the government market is an aftermath of the successful new money operations by the Treasury. The digesting of the new 2 3/4% bond is being done by switches from outstanding issues and this is responsible to a considerable degree for the minor weakness that appeared here and there in the list. Commercial banks have been active in building up positions in the 2 3/4% due 1961 in spite of the fact that these institutions obtained the largest amount of this obligation. Savings banks, pension funds and certain state funds have also been rounding out positions. Some of the latter acquisitions of the newly offered 2 3/4% have been made at the expense of short-term and intermediate term issues which, according to reports, have been sold to make way for the new bond.

The longer-term Treasury issues have been rather inactive because the 2 3/4% bond has taken the play away from them. Nonetheless, a good investment demand is still around for the most distant maturities.

### New Bond Acting Well

The government market is adjusting itself to the new financing, which means that considerable switching is being done with the primary purpose of building up positions in the recently offered 2 3/4%. Very few of the institutional investors were able to get all the bonds they thought they needed, to say nothing of those that they would like to have obtained based on the subscriptions that were put in with the Treasury. However, because of the padded subscriptions some institutions got more bonds than they expected and these had to be paid for by selling the outstanding issues.

The 2 3/4% of 1961 went above the 101 level on the day before the allotments were made public but when trading was resumed on the morning after election day and the allotments were known, then prices were shaded and continued to give ground because of profit taking. However, the market action of the new bond has been favorable because there is a very good two-way market in the issue which means that investors are being attracted to this obligation.

### Minimum of "Free Riding"

The fact that "free riding" was held to a minimum in the recent offering of the 2 3/4% has also helped to improve the market action of this issue. To be sure, there was some criticism heard about the way the allotments were handled, as well as the small amount of these allotments, but this is not an unusual thing because it has happened on many occasions in the past without too much damage being done to any of the parties involved. When an issue is "hot" there is never enough to go around and the 2 3/4% was a real "hot one." On the other hand when an issue is a "stiff" nobody wants it and there is more than enough to go around.

It seems as though these conditions will continue to be the same as in the past but time is a great healer which does enable these things to be ironed out to the satisfaction of all concerned. Security quotations do have a way of adjusting themselves so that those that want more bonds generally get them, whereas sellers get rid of them, with both parties coming out of the situation without being casualties.

The commercial banks as a whole were allotted the largest amount of the 2 3/4% bonds even though the 16% allotment was smaller than what was given to non-bank investors, government agencies and state and local governments. This created the feeling that the deposit banks should have received 24% allotments, the same as was given to non-bank investors.

### More Purchasing Power Created

The bonds that were sold to the commercial banks not only supplied funds to the government to meet the deficit with, but they also created bank deposits which are purchasing power. This kind of financing is not usually done during a period of inflation because it is imperative to decrease purchasing power during such a time. Therefore, it seems as though the fear of inflation must have subsided somewhat as far as the monetary authorities are concerned or they would not have channeled the new bonds in such large amounts into the commercial banks. The building-up of bank deposits and purchasing power is what is generally found going on during a period of decreasing business activity. Also with such a development usually comes an ease in money rates because it is hoped that before too long the lower rates will stimulate borrowings that will have a beneficial effect upon business activity.

It is believed that future borrowings of the Treasury will not show much deviation from what has just happened unless there is considerable change in economic conditions. In other words, until the inflation factor pokes its head up to plague us again, the securities that will be offered by the Treasury, whether for refunding or new money purposes, are quite likely to be tailored to meet the needs of commercial banks since the purchasing power created in these operations should eventually have some positive influence upon the economy. However, in order to buy government bonds, commercial banks must have reserve balances and this as a whole should mean easy money conditions.

## New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Transfer of the Exchange membership of the late George A. Winsor to Frank C. La Grange will be considered by the Exchange Nov. 19. Transfer of the Exchange membership of the late Oliver S. Campbell to Paul S. Ames will be considered on Nov. 19.

## With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE) BEVERLY HILLS, Calif.—Larry Liberman has joined the staff of Francis I. du Pont & Co., 9640 Santa Monica Boulevard.

## Akin-Lambert Adds

(Special to THE FINANCIAL CHRONICLE) LOS ANGELES, Calif.—Alexander Shackman has been added to the staff of Akin-Lambert Co., Inc., 639 South Spring Street, members of the Los Angeles Stock Exchange.

## Jack G. Moss With Columbian Securities



Jack G. Moss

DALLAS, Tex.—Jack G. Moss has been elected a Vice-President of the Columbian Securities Corporation of Texas and is manager of their newly opened Dallas office in the Kirby Building. Mr. Moss was formerly a partner of Moss, Moore & Company.

## La Salle Securities Opens in Chicago

CHICAGO, Ill.—Announcement is made that Laurence H. Norton, Charles J. Vojta, William J. Kearns, J. Harry Musson, Mildred Vruba, Philip Kaufman, Raymond W. Young, James L. Knight, and Adolph Zarbock, formerly associated with Remer, Mitchell & Reitzel, Inc., have established the firm of La Salle Securities Co., 208 South La Salle Street.

## With Mann & Gould

(Special to THE FINANCIAL CHRONICLE) SALEM, Mass.—Vincent Treanor is with Mann & Gould, 70 Washington Street, members of the Boston Stock Exchange.

## With Collin, Norton

(Special to THE FINANCIAL CHRONICLE) TOLEDO, Ohio—Robert W. Hertzler has been added to the staff of Collin, Norton & Co., 506 Madison Avenue, members of the New York and Midwest Stock Exchanges.

## Verling Pierson With Blyth in Portland

(Special to THE FINANCIAL CHRONICLE) PORTLAND, Oreg.—Verling W. Pierson has become associated with Blyth & Co., Inc., Pacific Building. Mr. Pierson was formerly local manager for Walston & Co.

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LETTER TO THE EDITOR:

## Shull Sees Need of Fixed Gold Price

Connecticut Chairman of the Gold Standard League takes issue with J. F. Eggelston, of London, Eng., who holds there can be no correct price of gold other than that of the free market.

Editor, Commercial and Financial Chronicle:

The letter by Mr. J. F. Eggelston, of London, Eng., dated Sept. 16, carried in your issue of Oct. 29, starts out by saying that he has "carefully read the letters of Harold E. Barton and Philip G. Gans, also Frederick G. Shull" in recent issues of the "Chronicle"; but, for some reason, Mr. Eggelston has refrained from any specific comment on statements made by any of those named above. Among views expressed by Mr. Eggelston which meet with my approval are the following: He rightly criticizes the "immense issues of fiat money" that have been "perpetrated . . . on the peoples of every nation"; he says "The world is moving toward a paper money hell"; and that "there may arise a chaos, a confusion, a suffering, a tragedy, due to the overissue of paper money, . . ."

But I must take exception to certain opinions expressed in that letter by Mr. Eggelston, such as: "There is no doubt that any price for gold other than the free market price is incorrect, . . ." That, of course, is an "incorrect" statement. Would Mr. Eggelston maintain that England was wrong when she held the "value" of the pound sterling at 113 grains of fine gold from 1816 to 1914, and, thereby, established an unchanging official-price of gold? And would he say that the United States was also wrong when it held the official-price of gold at \$20.67 a fine ounce from 1837 until 1933, thus giving our dollar a "value" of 23.22 grains of fine gold per dollar?

Mr. Eggelston is on solid ground when he says that there must be a "free market" for gold; but he appears to be overlooking the fact that such "free market" under the gold standard operates, contemporaneously, with a fixed gold-price "value" for the pound sterling, the dollar — or any other honest currency based on gold. Under that very desirable setup the "free market" price for gold is not likely to ever vary appreciably from the "official price," other than in places remote from the "free market" operations.

Again, I disagree with Mr. Eggelston's statement that "no conference, no policy, no law, no



Frederick G. Shull

regulation, national or international, can give any paper currency, sterling, dollar or what have you, a real value." And he adds: "Only the free market can do this." Those statements are contrary to the principles of the gold standard on which the leading nations have operated for more than two centuries. Mr. Eggelston appears to have forgotten that his own country, back in the Eighteenth Century, consistently followed the policy of maintaining the pound sterling at 3-pounds 17-shillings 10½-pence per troy ounce of gold — thus giving Britain's "paper currency" a very definite "real value"; and he seems to forget that the U. S., from 1837 until 1933, maintained its dollar at the very "real value" of \$20.67 a fine ounce of gold.

Mr. Eggelston is constructive in calling attention to the "unpunished crime of issuing inconvertible paper money"; but for him to contend that paper money should be convertible "at the option of the holder against gold or silver at the day's market rate," is indeed amazing, when you consider that he identifies himself as "Lecturer to Local Centres of the Institute of Bankers." The principle of "convertibility," as enunciated by Mr. Eggelston, would destroy the very foundation of gold and silver coinage; for how could the United States, for example, coin a \$10 gold piece which, on one day, due to the day's market, would be worth only \$9; and on another day, \$11? Has Mr. Eggelston forgotten that the world's greatest economist, Adam Smith, set the pattern for a fixed-value for a nation's currency when he so truly said: "The raising of the denomination of the coin has been the most usual expedient by which a real public bankruptcy has been disguised under the appearance of a pretended payment?"

We agree with Mr. Eggelston when he says: "No learned publication, no dissertation of university economists can add one iota to the great truths which have endured for thousands of years, . . ."; but when this gentleman undertakes to convey the impression that it is a "great truth" that a function of "the eternal and ever-operating . . . free market" is that of determining the official-price of gold, he is underrating public intelligence to almost zero.

FREDERICK G. SHULL,  
Conn. Chairman,  
Gold Standard League  
Nov. 3, 1953.

### With Milwaukee Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wisc.—Oscar N. Johnson has become associated with The Milwaukee Company, 207 East Michigan Street, members of the Midwest Stock Exchange. Mr. Johnson was formerly an officer of the First National Bank of Monroe.

### Cohu Opens Branch

ROCHESTER, N. Y.—Cohu & Co., members of the New York Stock Exchange, have opened a branch office in the Powers Building under the management of Don S. More.

### Williams Inv. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla.—Katherine M. Mohle has joined the staff of Williams Investment Company, Barnett Building.



## Bank and Insurance Stocks

By H. E. JOHNSON

### This Week — Bank Stocks

The market action of bank stocks as a group so far in 1953 has closely approximated that of the general equity market. An index of New York City bank shares shows a decline for the year of about 4.1% while for the Dow Jones Industrials it is close to 4.4%.

There does not seem to have been any dominant factor governing the movement of bank shares and the stocks which have moved contrary to the slight downward trend have done so because of special considerations such as larger cash or stock dividends or the prospect of mergers.

The excellent earnings being realized or in prospect seem to have had little effect upon share prices. This may be because stock quotations at the end of 1952 were anticipating the upward trend in earnings which has prevailed so far in 1953. Also it may be that prices are now anticipating a somewhat lower level of business next year.

It would seem to be reasonable, however, to give some consideration to the matter of yields in viewing the level of the current market.

Because of their investment characteristics with stable income of considerable importance, bank stocks usually sell on a yield basis. Thus with yields on most high grade investments rising this year, bank stocks for income purposes have become relatively less attractive. Higher earnings, of course, presage larger dividends. However, there have been few instances among the major banks where dividends have been increased this year and in those instances where increased distributions have been indicated it has been a selective influence rather than a stimulus to the general market.

Chemical Bank for example is one of the few New York City bank stocks to show a gain in price over the 1952 year-end quotation. This is attributable to the announcement made two weeks ago that the bank would, subject to stockholders' approval, pay a stock dividend of 10%. It was also indicated that the current dividend of \$2 would be continued on the larger number of shares to be outstanding.

First National of Boston has shown a similar pattern. A stock dividend of one additional share for each 13 held was distributed to stockholders of record Nov. 5, 1953. It is interesting to note that First National of Boston has been one of the better acting stocks among the major banks outside of New York City.

U. S. Trust made a special "centennial" dividend payment of \$2 a share indicating a total distribution this year of \$16 as against \$14 paid in 1952. As a result of this the stock has been acting much better than the general New York group.

Bank of Manhattan the only other New York bank stock to show a gain so far this year, has been influenced by recurrent rumors of a possible merger through which stockholders could realize a substantially higher price than the current market.

The changes in prices of 22 of the major banks in New York City and throughout the country for the current year are shown in the following tabulation. Where appropriate, adjustments have been made for stock dividends and stock splits.

	Current Market	Market Bid Dec. 31, '52	Point Change	1953 Price Range
<b>New York City Banks</b>				
Bank of Manhattan	37 3/4	35	+ 2 3/4	40 - 31
Bank of New York	368	379	- 11	398 - 351
Bankers Trust	51 1/2	53	- 1 1/2	55 5/8 - 47 3/4
Chase National	46	48 1/2	- 2 1/2	50 - 42
Chemical Bank	51 3/4	49 3/4	+ 2	52 3/4 - 43 3/4
Corn Exchange	60 3/4	65 3/4	- 5	67 3/4 - 58
Empire Trust	124	140	- 16	144 - 124
First National	387	394	- 7	419 - 366
Guaranty Trust	66	72 1/4	- 6 1/4	73 - 60
Hanover Bank	96 1/4	99	- 2 1/4	102 1/2 - 90
Irving Trust	22 3/4	23 3/4	- 1	24 1/2 - 20 5/8
Manufacturers Trust	62 3/4	64 1/2	- 1 1/4	66 3/4 - 58 1/4
Morgan, J. P.	264	283	- 19	304 - 251
National City	50 1/2	51 3/8	- 1 1/4	54 3/4 - 46 1/2
New York Trust	113 1/2	117	- 3 1/2	117 1/4 - 101
Public National	46 1/4	46 7/8	- 5/8	49 - 43 1/2
U. S. Trust	275	269	+ 6	295 - 257
<b>Other Banks</b>				
Bank of America	31 1/4	30 7/8	+ 3/8	32 5/8 - 28 1/2
First National (Boston)	50 1/2	46 1/2	+ 4	50 5/8 - 44
First National (Chicago)	250	250	--	275 - 231
Cont. Illinois National	84 1/4	93	- 8 3/4	94 1/2 - 81
Security First Nat'l (L. A.)	106	102	+ 4	112 - 94

It is interesting to note that the banks which show the largest declines, Empire Trust and J. P. Morgan, are the shares which usually sell on the lowest yield basis. Thus where rising yields were a factor, such stocks would be the ones most directly influenced.

Over the balance of the year it is possible that bank shares will give a much better market performance. The record earnings in prospect make the outlook for larger cash distributions and in some cases, additional stock dividends favorable. This could provide the stimulus needed for a higher valuation of bank shares.

### Kaiser Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—D. Forrest Greene has joined the staff of Kaiser & Co., Russ Building, members of the San Francisco and Los Angeles Stock Exchanges. He was previously with Dean Witter & Co. for several years.

### With Management Invest.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Walter J. Fremier is now with Managed Investment Programs, 41 Sutter Street.

### Two With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Burton H. Chapman and Leonel J. Costa, Jr. are now with Renyx, Field & Co.

Continued from page 2

## The Security I Like Best

the 1952 capitalization, the earnings on the common stock for the most recent 12 months would have been \$3.49 per share.

On June 3, 1953, however, 375,000 shares of additional stock were sold to the public at \$40.25 per share. As additional common and preferred stocks and bonds have been sold, naturally the assets of this enterprise have increased proportionately.

Gross consolidated assets, for example, as of Dec. 31, 1948 were \$249,000,000. This compares with gross assets on Dec. 31, 1952 of \$444,000,000. As additional amounts of securities have been sold in 1953, it is believed consolidated assets at this time will run close to \$500,000,000.

It would appear that based upon past records, Texas Utilities common stockholders can look forward to having gross and net earnings of their company double in the next five years. That being the case, it would seem reasonable to assume that the market value of the common stock could also be expected to double in the next five years, as it has already done in slightly over the past three years.

The company's stock is listed on the New York Stock Exchange.

## Public National Bank Advances Darrell

E. Chester Gersten, President of The Public National Bank and Trust Company of New York, has announced the appointment of Frank R. Darrell, head of the Foreign Collection Division, an Assistant Manager of the Foreign Department at main office.

## Aaron B. Cohn Rejoins Selected Investment

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio—Aaron B. Cohn has become associated with Selected Investment Company of Chicago. Mr. Cohn who has recently represented Blair, Rollins & Co. Incorporated in Toledo in the past was an officer of Selected Investment.

## With Schwabacher Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Russell R. Kennedy is now with Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges.

## Peters, Writer Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Arnold R. Jones has become affiliated with Peters, Writer & Christensen, Inc., 724 Seventeenth Street, members of the Midwest Stock Exchange.

## The Hanover Bank of New York

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Specialists in Bank Stocks

Continued from first page

## Problems of the European Defense Community

ated 50 years ago and would not hink of re-joining. Close affiliation may bring to the surface deep-seated tensions between the English and French outlooks on life. Small countries are suspicious of great powers; all are suspicious of the Germans.

Or how would we like to merge with 140 million Latin Americans and—share our wealth with them? To broaden our markets at the expense of our taxpayers? This is what Integration means in a democratic Welfare State. Italians would vote, to be sure, for directing British and French "social" spending down their own alley. Partnership with the poor, with the voting power vested in a majority of Have-Nots, is not to the taste of the well-to-do. But the differences in living standards between, say, Sweden and Greece, is as great as it can be. Europeans believe that America should raise consumption levels all over the world; but when it comes to reducing their own comfort to improve the lot of some strange peoples—millions of them—that is another thing.

### Failure of Benelux

Even economic Federations run into the greatest difficulties. The Netherlands and Belgium-Luxembourg have been trying to bear one—Benelux—for nine years; the birth pains are still not over. It was hard enough, and took years, to agree on duty rates; still harder to straighten out differences in excises when consumption habits and fiscal interests are totally different. A tax on beer that may bankrupt the breweries of the one country, might leave dry the Treasury of the other.

And there are more vicious obstacles. The Belgians distrust regulations, the Dutch do not mind them. Most important: to live under the same economic roof, the currencies must be interchangeable "at par." But why should Belgium sacrifice its dollar reserves—one of the few in postwar Europe that has never declined in a perilous fashion—in order to fill the holes in the defense of the much softer Dutch guilder (which has been hardening since mid-1951, since Dutch labor accepted a wage-freeze)? With wage and price level differentials of 50% and 28%, respectively, should the Belgians lower, or the Hollanders raise theirs? Presently, the customs union is on the verge of being broken up.

For another distressing sample, read the semi-official "Economic Bulletin for Europe" (1952, No. 3): "The failure of the plan (debated for three years) to provide Denmark with Norwegian waterpower is an extreme case of inability to reach an understanding (between two friendly neighbors!), even though such an understanding offers the greatest benefits to both parts."

At that, problems of adjustments between the Low Countries or between Norway and Denmark are minor compared with those an Anglo-German or a Franco-German Union would pose. Entire price, wage, tax, and social security structures would have to be revamped. A customs union or any comprehensive integration is a farce unless currencies are unified, which in turn presupposes that the payment balances are straightened out—the Dollar Shortage is mastered, in effect. A Union is to solve the problem, the solution of which would make a Union possible!

What about the colonies,

France's and Britain's ties with their Empires, to say nothing of the insular tendency of the British who refuse to participate either in the Schuman Plan or in the Continent's defense? It is naive to use America's federation as a guidepost without remembering how simple and homogenous the underlying conditions were in the XVIIIth Century—how long and arduous the process was even then—and the fact that it took the bloodiest war of the XIXth Century to make it stick. To advocate integration without weighing the unprecedented problems of organization and of elemental national sentiments to be overcome is sheer soap-box oratory. It will not bring down the walls of Europe.

### A Common Currency?

Would a European Union be run on the Belgian principle, liberating from the basic controls imposed on Britain, or on the British principle, imposing similar controls on Belgium? Given Europe's mood, and London's leadership, the likelihood is that the latter would prevail. In any event, Economic Federation presupposes monetary union.

"There cannot be a common currency without common sovereignty and a common parliament and common taxes and expenditures. The very life of any government, and the welfare of its citizens, depend upon the way that control is exercised. To put these at the disposal of a foreign nation or committee of foreign nations would be suicidal." (R. C. Leffingwell, in "Foreign Affairs," January, 1950.)

A supra-national, "efficient" planning might reduce the last vestiges of free competition.

A common market, the much-heralded objective of the Coal-Steel Pool, is not the same thing as a free market. In fact, the Pool has succeeded in a few months time to bureaucratize its field in a fashion no cartel could do before. And it is an international, not a supra-national arrangement. How it will function depends on what the member-states will make of it. The same holds true for the European Defense Community, if it ever materializes. France is not likely to accept it without several *quid pro quo's*—one of which may be too expensive to the U. S. Treasury.

The free-trade-minded International Chamber of Commerce warned that such piecemeal pooling plans create more political ill-will in the non-pooled segments than they dissolve in their own fields. Over-all integration would be worse, meaning a fresh revolutionary shake-up of Europe, the last thing it can afford. The awful internal tensions it is bound to generate would take many years to subside, if ever.

### A Fallacious Theory

The Union idea is a fallacy rather than a panacea. It assumes that enlarging population within the same borders is an automatic guarantee of greater productivity. Russia under the last Czar had better than the double of Germany's population and many times her raw material resources, yet only a fraction of her industrial capacity. On the other hand, relatively small countries can be very prosperous. Holland and Denmark before the World Wars, Belgium and Switzerland thereafter, illustrate the point. With one-fifth of Britain's population, Belgian labor records much higher productivity, proportion-

ately higher living standards, and balanced international accounts!

The points are that: efficiency is not simply a matter of production volume, certainly not in all industries, and not beyond definite limits of size in any industry; supra-national policies may be as adverse to raising productivity as those of the constituent states; the decisive factors: availability of capital, of entrepreneurial spirit and of a labor force able and willing to work, have relatively little to do with the dimensions of the domestic market; international specialization can take care of expanding the outlets if excessive monetary and commercial barriers do not stop it; the broadness of a market is not a matter of population size—India and China are exhibits of large populations with negligible purchasing power—but of its productivity.

Efficient and cheap production is the prime condition of broadening the market, not the other way around. And the market can be broadened beyond national borders, provided that the principle of international competition is accepted by the respective nations (which it is not).

### Defense Community Weakness

The European Defense Community was constructed as a super-state, not just a federation of the members. This was Monsieur Pleven's idea in order to strip the forthcoming German army of its independence, and to protect France from the inherent risks. It had the enthusiastic support of Washington and of General Eisenhower. Our official idea was that this not only would solve Europe's defense problem, but also Europe's economic problem.

The European super-state is not only an economic misconception, but also a political monstrosity. No self-respecting nation, certainly no major power, wants to give up its sovereignty and submit to the laws of a multitude of nations guided by different traditions and ideologies. That is the fundamental weakness of the Defense Community, as it is planned at present, the prime reason why the French refuse to underwrite their own plan—and why the British have refused from the outset to participate in it. Nothing short of another war, or of its immediate threat, could move the leading countries of Europe to swallow the project; or to make it a going concern rather than to sabotage it if they are forced into acceptance (such as by the threat of withdrawing American aid). If the Germans did accept, so because for them it is not a retrenchment from sovereignty, but the opposite: a decisive step toward restoring their sovereignty.

If a European army there must be, a federation of European states under full observance of their individual sovereignties, is the answer. True, an alliance of armed forces operate with much more friction than would a single army under a single command—if such a combination were possible, and if it were not fraught from the outset with the prospect of every member trying to get the most out of it at the least sacrifice of its independence.

### Lindquist With Bache

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Howard G. Lindquist has become associated with Bache & Co., 131 South La Salle Street. Mr. Lindquist was previously with Cruttenden & Co., Mason, Moran & Co. and Bear, Stearns & Co.

### With Reynolds Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jordan E. Rothbart has become connected with Reynolds & Co., 39 South La Salle Street.

## The Gold Price Slump

By PAUL EINZIG

Asserting the reappearance of Soviet gold in Western Europe is "beyond doubt" the most important of immediate causes of recent slump in gold price, Dr. Einzig sees in it a discouragement to French gold hoarders and a disappearance of the gold shortage for international monetary purposes.

LONDON, Eng.—At the beginning of November the price of gold in the free markets of Western Europe and in Tangier declined to

\$35.70. This is exactly 2% above the official American buying price. At the time of writing it looks as if the premium would disappear altogether before very long.

Beyond doubt the reappearance of Soviet gold in

Western Europe is the most important among the immediate causes of this slump. Bars with the hammer and sickle hallmark came to be offered in large numbers in Paris towards the close of October. Were it not for the fact that the Bank of France was a buyer this additional supply would have been more than sufficient to bring down the price to par with the official American price. Hoarding demand declined considerably and was more than offset by de-hoarding.

Many French holders of gold appear to have grown tired of keeping their capital in such unremunerative form. In France interest rates are fairly high so that loss of interest hoarded over a period of years amounted to quite a considerable item, in particular if the owners of hoarded gold had to borrow from their banks to finance their business, which they could have financed themselves if they had not immobilized their capital in the form of gold holdings. When it became evident that in addition to loss of interest they are exposed to capital losses through the decline of the price of gold, many holders decided to cut their losses.

This factor alone would not have brought about a noteworthy decline. The effect of the reappearance of Russian gold was international. Even though most of the gold was offered in Paris the psychological effect of this factor influenced all the free markets. There is no information available about the size of the Soviet Government's gold stock but the possibility of further substantial selling must be envisaged.

Another factor of some importance was the decision taken by the Government of the Union of South Africa not to insist any longer on "processing" newly mined gold—that is, its conversion into objects such as plates—before it can be offered on the free market. The cost of this processing is reckoned to be about 1% so that the removal of this item made it profitable for the mining companies to continue to sell their gold in the free market.

It is an irony of fate that, while argument for and against raising the official American price of gold was vigorously pursued, the unofficial price should decline to the close vicinity of the official price. The existence of a fixed price at which the United States authorities are prepared to buy, low as it is compared with the general price level, must now be reckoned as a great advantage to gold producers. In the absence of the official American buying price there would be a real danger that the gold slump might continue more than ever.

even after the figure of \$35 has been reached.

It is to be expected that opponents of higher dollar price of gold will make full use of the decline in the unofficial price to reinforce their arguments against increasing the official price. They will doubtless argue that the disappearance of the premium confirms their view that at its present figure the official price is high enough. In reality the decline of the free market price proves nothing of the kind. The existence of a wide premium did not prove the need for an increase of the official American price; it simply indicated a strong private demand which could not be satisfied through withdrawals from the official gold reserves of the United States or other countries. The decline of an official price reflects partly the change in the supply and demand position in the free markets and partly the abandonment of hopes for an increase of the official price.

The argument in favor of a higher official price of gold never rested on the existence of a premium. That premium would have disappeared long ago if gold producers had been allowed at any time to take full advantage of the higher price by selling their entire output in the free market.

The main arguments for a higher price of gold are the need for increasing the nominal amount of gold available for the settlement of international balances, partly through writing up the existing gold reserves and partly through stimulating gold production. If the argument was sound when there was a big premium in the free markets, the disappearance of a premium could not affect its validity.

To some extent, however, the disappearance of the premium is likely to mitigate the shortage of gold for international monetary purposes. There is a certain amount of de-hoarding.

Once the price has declined to a point at which producers find it no longer profitable to sell their output in the free market, the whole output will find its way into monetary reserves. Assuming that in the absence of a revival of hoarding demand the premium will not return, Treasuries and Central Banks will be able to increase their gold reserve out of current output. This is, however, a slow process.

It would be different if there was de-hoarding on a really large scale. There is, however, no sign of this. In the absence of large-scale de-hoarding the monetary authorities will have to depend on the new output and on Russian gold sales for the strengthening of their reserves. While in the long run they might succeed in doing so any increase that could reasonably be expected from those sources within the next few years is bound to be relatively moderate.

The position is, therefore, that for years most countries will have to continue to lead a precarious existence without adequate safety margins of gold reserves. This state of affairs could be remedied with a stroke of the pen through an all-round devaluation of all currencies of countries belonging to the International Monetary Fund. Unfortunately the chances of such a simple and effective solution of the balance of payment problem are now more re-

the gold slump might continue more than ever.

It is an irony of fate that, while argument for and against raising the official American price of gold was vigorously pursued, the unofficial price should decline to the close vicinity of the official price. The existence of a fixed price at which the United States authorities are prepared to buy, low as it is compared with the general price level, must now be reckoned as a great advantage to gold producers. In the absence of the official American buying price there would be a real danger that the gold slump might continue more than ever.

# Railroad Securities

## Lehigh Valley

One of the lower priced railroad stocks that has been attracting increasing attention in recent weeks has been Lehigh Valley common. One of the major reasons for this revival of interest in these shares is the growing expectation that directors at their meeting toward the end of November will declare a dividend, or perhaps put the stock on a regular quarterly dividend basis. If they do, it will mark the first distribution made on the stock since 1931. Prior to this year the company had been effectively barred from paying any dividend because of the heavy sinking funds and bond retirement program that were imposed as part of the road's voluntary debt readjustment plan of 1948.

Under the readjustment plan there was set up a prior lien sinking fund of \$600,000 and a general sinking fund equivalent to 50% of net income plus an amount equivalent to any dividends paid. This second sinking fund was to be cut to 25% of net income and 50% of dividends when the aggregate of fixed charges and contingent interest was reduced below \$4,500,000. Following consummation of the plan the management embarked upon a very aggressive program of debt retirement as a result of which the goal of \$4.5 million was reached late in December, 1952. In accomplishing the final stages of the program, however, the road depleted its cash position so that immediate resumption of dividends was not feasible. To a considerable degree this situation has now been corrected, giving rise to the present hopes that the long dividend drought may be ended shortly.

Bonds were retired at a rate well in excess even of the requirements of the two sinking funds. It is indicated, therefore, that a sinking fund credit of somewhat over \$20 million exists to cover requirements for many years ahead if the company elects to use it. Aside from this debt situation there are two other factors of potential interest from the financial viewpoint. Final settlement of the company's claim against Germany for damages sustained in the Black Tom explosion of World War I was agreed upon earlier this year. Under the terms of the agreement Germany is to pay Lehigh Valley a total of \$6.5 million additional, spread over a period of 26 years. Negotiations are apparently still going on with respect to sale of some of the company's property in Buffalo to the Thruway Commission. Some estimates have placed the possible sales price as high as \$7 million, a part of which, however, would presumably have to be used on substitute facilities. This matter should be settled in the not too distant future.

From an operating standpoint Lehigh Valley has come far in recent years. One of the most important contributory factors has almost certainly been the comprehensive dieselization program. This was completed just about two years ago and the company now has no steam power. While the transportation ratio at 38.9% last year was somewhat higher than the industry average of 36.9%, it showed substantial improvement over the 43.7% ratio of 1949 and nearly 47% of 1947. Moreover, the favorable trend has continued in the current year. The full breakdown for September is not yet available but for the eight months through August this all-important ratio was further pared by almost a full point.

While there has been diversification of the company's traffic

composition in recent years and there has been considerable industrial expansion along its lines, Lehigh Valley is still quite heavily dependent on anthracite coal—last year this commodity made up 16% of total freight revenue. Thus, early in the current year the company was adversely affected by realized last year.

## Municipal Bond Dealers Oppose Use of Public Credit for Promotion of Industry

### New Officers of Securities Dealers of the Carolinas Elected

Members of the North Carolina Municipal Council, the South Carolina Municipal Council and the Securities Dealers of the Carolinas at their joint meeting at Mid Pines, near Pinehurst, N. C., on Oct. 26, 27 and 28, adopted a resolution expressing opposition to the present trend of using public credit for the promotion of industry of a private or semi-private nature. The groups expressed their concern at the tendency of some local units to issue municipal tax free securities to provide facilities as an inducement to new industries to locate in their vicinities. The Honorable Edwin Gill, Treasurer of the State of North Carolina, stressed a similar sentiment in his interesting address on the "Proper Use of Public Credit."

The Honorable Donald S. Russell, President of the University of South Carolina, also addressed the group using as his theme the "Prevailing Demand for Safety and Security." He emphasized the need for support of the free enterprise system as the base of our security of both national and international levels.

Following operational reports of the individual groups, officers were selected for the forthcoming year. New officers of the Securities Dealers of the Carolinas are:



Charles R. Vance Roy F. Hunt, Jr.

President, Charles R. Vance of Vance Securities Corporation, Greensboro; Vice-President, Edgar M. Norris of Edgar M. Norris, Greenville; Secretary, Marshall Johnson of McDaniel Lewis and Company, Greensboro; and Treasurer, Roy Hunt, Jr., of Lester G. Furman Company, Greenville.

The Board of Directors of the North Carolina Municipal Council, consists of E. B. Wulbern of R. S. Dickson & Company, Charlotte, Chairman; Charles R. Vance of Vance Securities Corporation, Greensboro, Vice-Chairman; T. B. Johnson, Jr., of Breed and Harrison, Inc., Cincinnati, Secretary-Treasurer; Harry R. Niehoff of the Weil, Roth & Irving Company, Cincinnati; and McDaniel Lewis of McDaniel Lewis and Company, Greensboro.

The Board of Directors of the South Carolina Municipal Council is composed of Mark A. Smith of F. W. Craigie and Co., Richmond, Chairman; Howard C. Traywick of Trust Company of Georgia, Vice-Chairman; and W. H. McDaniel of McDaniel Lewis and Company, Greenville.

Peter Darlington has become associated with Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

the mild winter weather. Other traffic was well maintained and for the nine months through September gross revenues just matched those of the preceding year. While the transportation costs were well controlled some other costs were higher and share earnings dipped to \$3.42 from the \$3.65 reported a year earlier. Presumably business will be off in the final quarter unless the winter is ushered in with lower temperatures than prevailed late in 1952. Even at that, earnings for the full year should not drop much below the \$4.81, before sinking funds, early in the current year the company was adversely affected by realized last year.

Continued from page 5

## The State of Trade and Industry

strongly, advancing for four consecutive weeks. "The Iron Age" steel scrap composite price was unchanged this week, the first week it has failed to change in more than three months. But weaker tone suggests it might shade off again if mills don't augment their stocks, this trade weekly further states.

In the automotive industry, the new car market is currently highlighted by a return to old-fashioned, prewar, toe-to-toe battle for sales. Competition has fully returned. This is characterized currently by Ford's struggle with Chevrolet for top place, according to the opinion of the "PF Automotive Digest," automobile and sales finance monthly round-up of industry news.

It states further that, since the end of the war, production problems have been paramount, and relative sales standings were dictated largely by ability of factories to produce. While there has been price discounting, over-allowances from time to time during recent years, conditions generally were satisfactory. It now believes that all dealers are engaged in real selling efforts. Sales, and sales alone, will dictate future production schedules, it declares.

The "Digest" notes that some dealers already are complaining about manufacturers loading more cars on them than they can sell profitably, adding, that next year will see competition at its heights, and some interesting shifts may take place in percentage of the market.

According to "Ward's Automotive Reports," independent auto makers come back into the production picture in full this week as Packard and Willys return to operation.

This marks the first time in 4½ months that all six independent car makers are in production at the same time it states.

Among the independents, Kaiser was idle during the summer and early fall, and the others were down for different periods of time because of parts shortages, inventory dislocations and model changeover.

Packard begins turning out its first 1954 models, after being down for four weeks due to delays in re-tooling for the new cars. Hudson, idle last week for inventory, has scheduled output of about 500 cars this week, about the same as two weeks ago, it notes.

But Ford, Chevrolet and Plymouth will maintain their lower production schedules this week, so the industry's overall output should show little pickup from last week's reduced rate.

"Ward's" points out that car makers last week turned out 117,573 units. This was a drop of 5% from the 123,776 in the preceding week, and compared with 105,042 built in the like week last year.

The United States Department of Agriculture currently estimates the 1953 cotton crop at 16,093,000 bales, an increase of 497,000 over its forecast a month earlier. In view of the prospective large supplies, Secretary Benson has set allotments for 1954 cotton plantings at 17,900,000 acres—about a third less than this year—on which cotton growers will vote Dec. 15. The Secretary has been under heavy pressure to raise the acreage quota. A Senate group is reported to have agreed on legislation which would boost allotments to 21,000,000 acres.

### Steel Operations Scheduled Slightly Under Previous Weekly Rate

The shakeout in the steel market has about run its course, if the historically accurate bellwether—the scrap market—is correct again, says "Steel," the weekly magazine of metalworking, the current week.

Usually, if scrap prices decline, the steel business is in for a slowdown, and if scrap prices strengthen markedly, you can look for steel demand to perk up.

The present letdown in demand for steel was foreshadowed by a drop that started in steelmaking scrap prices in August. After descending for six consecutive weeks, scrap prices turned upward and for five consecutive weeks have strengthened, with a result that "Steel" magazine's price composite on steelmaking grades is now \$35 a gross ton, compared with a low mark of \$31.50 five weeks ago.

The five-week upturn still leaves the composite considerably below the August high mark of \$44.17, and that would suggest that demand for steel will not resume the hectic pace of early this year, continues this trade publication.

If the rise in scrap prices doesn't point to a strengthening in demand for steel, it perhaps suggests that at least the decline in steel demand won't go much further, adds this trade weekly.

Already, there is evidence that order cancellations and deferrals have subsided. In some instances, some of those orders have been reinstated. E. G. Grace, Chairman of Bethlehem Steel Co., the nation's second largest producer of steel, believes that the recent wave of cancellations—which still left a heavy volume of business on the order books—has about run its course. He sees no likelihood of a new wave of cancellations, "Steel" says.

In fact, Mr. Grace looks for a continued active market in steel. He bases much of his optimism on a business survey his company just completed. Among conclusions it came up with are: the automobile industry is planning for a good year in 1954; the outlook for construction is strong, and railroads are going to increase their purchases for ordinary operations. The survey found nothing that points to trouble.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be at an average of 92.8% of capacity for the week beginning Nov. 9, 1953, equivalent to 2,092,000 tons of ingots and steel for castings as against 93.0% (revised), or 2,096,000 tons a week ago. For the like week a month ago the rate was 96.3% and production 2,172,000. A year ago the actual weekly production was placed at 2,215,000 tons and the operating rate was 106.6% of capacity. The percentage figures for the current year are based upon the capacity as of Jan. 1, 1953, the rate this year being higher than last year.

### Electric Output Trends Higher in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 7, 1953,

was estimated at 8,397,523,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 35,930,000 kwh. above that of the preceding week, and an increase of 590,728,000 kwh., or 7.6%, over the comparable 1952 week and 1,001,408,000 kwh. over the like week in 1951.

#### Car Loadings Fall 2.9% Below Preceding Week

Loadings of revenue freight for the week ended Oct. 31, 1953, decreased 23,550 cars, or 2.9% below the preceding week, according to the Association of American Railroads.

Loadings totaled 780,863 cars, a decrease of 81,253 cars, or 9.4% below the corresponding 1952 week, and a decrease of 56,754 cars, or 6.8% below the corresponding 1951 week.

#### U. S. Auto Output Drops 5% Below Preceding Week

Automobile output for the latest week declined 5% below the previous week, according to "Ward's Automotive Reports."

The industry turned out 117,573 cars last week, compared with 123,776 in the previous week. A year ago the weekly production was 105,042 cars.

United States truck production last week totaled 13,970 compared with 14,594 the previous week. A year ago truck output was 29,212 units.

Canadian companies made 3,568 cars last week, compared with 5,999 in the previous week and 6,803 in the like 1952 week. Truck production amounted to 905 units last week, against 942 the week before and 2,553 in the year earlier period.

#### Business Failures Dip Slightly From High Point Of Previous Week

Commercial and industrial failures dipped to 207 in the week ended Nov. 5 from 218 in the preceding week, states Dun & Bradstreet, Inc. Although slightly below the high established a week ago, casualties remained considerably above the 143 and 150 which occurred in the comparable weeks of 1952 and 1951. However, mortality continued to be down 23% from the prewar level of 269 in 1939.

Failures involving liabilities of \$5,000 or more declined slightly to 181 from 189 last week, but exceeded sharply the 121 of this size a year ago. A dip also appeared among small casualties, those with liabilities under \$5,000, which were down to 26 from 29 but slightly above their 1952 toll of 22 for the similar week. Twenty-three businesses failed with liabilities in excess of \$100,000, as against 18 in the previous week.

Manufacturing and trade accounted for the week's small decrease; casualties of manufacturers dipped to 47 from 49, of retailers to 90 from 103, and of wholesalers to 19 from 21. In contrast, construction failures rose to 31 from 26, and commercial service to 20 from 19. All lines had heavier mortality than last year.

Four regions reported slightly lower failures, including the East North Central States, down to 20 from 26, and New England, down to 5 from 15. However, casualties continued to rise in the five other regions. The Middle Atlantic toll climbed to 79 from 73 and the Pacific was up one to 65. More concerns failed than a year ago in all regions except the New England and Mountain States, with notably sharp rises from the 1952 level in the Middle Atlantic, South Central and Pacific States.

#### Wholesale Food Price Index Reflects Further Mild Dip

A further mild drop last week lowered the Dun & Bradstreet wholesale food price index from \$6.49 on Oct. 27, to \$6.48 on Nov. 3, a new low since May 26, when it stood at \$6.47. Although the current figure is down 4.0% from the year's high of \$6.75 on July 21, it is still 2.9% above the comparable year-ago index of \$6.30.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

#### Wholesale Commodity Price Level Drops Following Early Gain

Continuing the mild upward trend of recent weeks, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 292.76 on Oct. 29, the highest level in four weeks. The index finished at 271.74 on Nov. 2, comparing with 272.73 a week previous, and with 286.15 a year ago.

Cash grain markets displayed irregular trends the past week. Wheat showed considerable strength at times despite rains over the Winter wheat area which improved 1954 crop prospects. Country offerings of wheat continued heavy with much grain reported going under loan. There was a fairly active demand for corn; prices trended somewhat easier at the close as market receipts increased sharply over a week ago. The market for rye was relatively firm, influenced by sharp advances in that grain in the Winnipeg market.

Purchases of all grain and soybean futures on the Chicago Board of Trade last week rose to a daily average of 53,300,000 bushels, from 49,600,000 the week before, and 45,000,000 a year ago.

Business in the domestic flour market remained on a hand to mouth basis although shipping directions showed some improvement.

**Bakers and jobbers showed little willingness to anticipate requirements beyond immediate needs.**

Prices generally were a shade easier. Export flour trade remained dormant. Cocoa was more active and prices continued to move higher, aided by an improved demand by manufacturers for spot supplies and firmness in producing countries. Warehouse stocks of cocoa were down slightly at 88,909 bags, against 89,574 a week earlier, and compared with 73,726 a year ago.

Trading in the domestic raw sugar market was rather slow although the price undertone held firm.

**In the refined sugar market, sales were light with some pressure on prices noted in southern areas.**

Brazil coffees were steady while Columbian grades sold at peak levels of around 65 cents a pound. The rise was attributed to limited spot supplies and improved inventory demand. Lard was under pressure of increasing production and slower demand and prices worked sharply lower. A further bearish influence was

## Says Next Crash Will Come First in Really

J. C. Copeland, head of a Southern California factoring concern, points to runaway real estate market as weak factor, whereas stock market has already largely discounted future downturn and is buttressed by 50% margin requirement.

According to J. C. Copeland, President of the J. C. Copeland Company, a large Southern California factoring firm, the next crash will come in real estate first and not the stock market, as in 1929.

The reason set forth by Mr. Copeland for this theory is that during the last depression the equities in the stock market were so small due to loose margin buying policies, that buyers were over-extended and could not meet their obligations when they were required to come up with more money to cover their losses. This does not exist in the stock market today because the government requires at least 50% equities, but the real estate market is in the exact position as the stock market was in 1927-28-29.

The dangers in the stock market are minimized today, according to Copeland, because they have discounted present and future conditions and the stock market

quotations in relation to earnings are very conservative.

But the real estate market has been on runaway inflation for several years and things are about due for a big change. Inflation of building materials and labor is reflected in high mortgages, and the equities in all real estate are small due to low down payments and small monthly amortization payments. Prices of apartment buildings in relation to rents are in high ratio. If there is a 10% drop in rents, blocks of apartment buildings would be up for distress sale. And one would have to be an extreme dreamer, Copeland states, if one thinks buildings are not due for a drop in these days of high rentals.

Commercial buildings are even in a worse position. A 10% rental drop can wipe out owners of these properties unless they have private finances to make the necessary payments.

The home owners will be faced

the drop in hog values to the lowest level since last February as the result of heavy marketings. Cattle and sheep finished higher.

Spot cotton prices edged slightly higher last week. Strengthening influences included increased price-fixing for domestic and export account and expectations of continued high loan entries.

**Cotton placed under loan in the week ended Oct. 23 rose to 459,000 bales, the largest volume reported in any week on record.**

Total entries through Oct. 23 at 1,839,000 bales, were also the highest on record for the season. Trading in the ten spot markets slackened with sales reported at 240,700 bales for the week, against 305,800 the previous week, and 381,200 in the same week a year ago. Demand for cotton gray goods continued slow and an easier price tone was evident in some cloth constructions.

#### Trade Volume Lifted to Higher Levels With the Advent of Cooler Weather

As seasonally cool weather came to many parts of the nation, shoppers increased their spending perceptibly in the period ended on Wednesday of last week. With the help of many attractive promotions and easy credit terms, most retailers were able to surpass the sales figures of a year earlier, as they have done during most of the past year.

**The theme of Christmas was more in evidence in promotions than at this time last year and most retailers continued to be confident that they would top the record sales figures of the 1952 gift-buying season.**

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from unchanged to 4% higher than the level of a year ago. Regional estimates varied from the comparable 1952 levels by the following percentages: New England 0 to +4; East and Southwest -1 to +3; South and Midwest +1 to +5; Northwest and Pacific Coast +2 to +6.

The interest in apparel rebounded the past week from the lethargy of recent weeks when unseasonably mild weather discouraged many consumers. Many retailers anticipated a strong revival of interest in apparel in the coming weeks to offset the recent lag. Increasing in popularity last week were most items with the sharpest gains scored by retailers of women's coats and children's outerwear.

With appetites spurred by cooler weather, the buying of food rose slightly in most sections the past week. Housewives continued to spend slightly more for food than they did a year earlier.

**The most marked year-to-year gains were achieved by supermarkets which accounted for a steadily rising share of total food volume.**

The interest in household goods was rather mixed; some cities noted strong demand while in others interest was torpid. In most sections, radios, bedding, floor coverings and decorating materials were among the best selling items.

There was little variation in trading in most of the nation's wholesale markets in the period ended on Wednesday of last week as many buyers remained wary of adding to their stocks. The total dollar volume of wholesale trade was approximately equal to the high level of a year before. Toys and holiday novelties were in record demand.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Oct. 31, 1953, decreased 2% from the level of the preceding week. In the previous week, Oct. 24, 1953, a decrease of 7% was reported from that of the similar week of 1952. For the four weeks ended Oct. 31, 1953, a decline of 5% was reported. For the period Jan. 1 to Oct. 31, 1953, department store sales registered an increase of 2% above 1952.

**Retail trade volume stimulated by colder weather in the middle of last week was aroused from its lethargy and advanced to a level slightly above the totals for the similar period in 1952.**

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Oct. 31, 1953, registered a decline of 6% from the like period of last year. In the preceding week Oct. 24, 1953, a decrease of 8% was reported from that of the similar week of 1952, while for the four weeks ended Oct. 31, 1953, a decrease of 4% was reported. For the period Jan. 1 to Oct. 31, 1953, a decline of 1% was registered from that of the 1952 period.

with the same emergencies in a deflated market. With so many GI home loans and other low down payment propositions, the monthly payments are high in relation to earnings and in the case of a salary decrease, only a moratorium can save the vast majority of these homes. This is especially true of the middle class home owner, whose payments are higher and who are more likely to be unable to make these stiff payments when recession comes. In these times, the middle class lose their jobs and consequently their entire income, while the laboring class manage to get odd jobs here and there to eke out a living.

For these reasons, Copeland feels that the first barometer for the next depression will be the reaction of the real estate market.

Mr. Copeland emphasizes that he is not predicting a crash of the 1929 variety, but explained that Americans must take a long view in considering business conditions. "With our type of economy, we must go through periods of adjustment every few years as part of our growing pains. During these periods of threat, Americans must pull in their belts and have confidence that our country will bounce back bigger and stronger than ever."

#### With Minot, Kendall

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Theodore T. Whitney, Jr. is now affiliated with Minot, Kendall & Co., Inc., 15 Congress Street, members of the Boston Stock Exchange.

#### Mason Bros. Add

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Raymond L. Smith is now with Mason Brothers, Central Bank Building, members of the San Francisco Stock Exchange.

Continued from page 8

## The 1953 Crop Situation

and rice should be followed by some recovery over the longer term.

#### Cotton Crop

My earlier cotton forecast that a large crop would be planted, despite the Government's request for a sharp cut, is being fully realized. The indicated yield of 15,596,000 bales compares with the 1942-1951 average of 12,215,000 bales. Including the Aug. 1 carry-over of 5,500,000 bales, total supplies for the 1953-1954 season will be around 21,100,000 bales, or about 10,000,000 bales above indicated domestic consumption and exports. A lot of cotton planters will demand Government loans this season. Cotton farmers will pay for this splurge by a sharp cut in the 1954 national cotton acreage allotment.

#### Farm Price Outlook

Although I expect total cash receipts from farm marketings to decline moderately in 1954, they still will be sizable. Farmers on the whole should continue to prosper. However, certain sections, like Kansas, the dairy states and parts of the Southwest, are suffering. The problems of farm surpluses and a workable and fair price support program remain unsettled. Hard work, cost cutting, promotional programs, and a putting of the national interest above that of any one group will speed the solution. I will discuss the livestock situation in a later issue of this paper.

**Blalack Adds to Staff**

(Special to THE FINANCIAL CHRONICLE)

SOUTH PASADENA, Calif.—Jack G. Quade is now with Blalack &amp; Co., 700½ Brent Street.

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# Mutual Funds

By ROBERT R. RICH

A STUDY of the finances of 1,000 institutions, reported in the current "Long View," shows that the gap between tuitions and the cost of educating continues to widen.

"One important step colleges have taken," the study states, "is to make endowment dollars work harder through substantial amounts of common stock investment, to increase current income, to give investment income a chance to keep pace with prices and to give capital a chance to grow in value."

"The Long View," issued by Hugh W. Long & Company, sponsors of mutual funds, describes how eight leading institutions reduced their bond holdings over the past 25 years by 30%, and increased their common stock investments almost threefold. It cites Harvard University as an outstanding example of how colleges have used common stock investments to improve income. In a recent year, common stocks constituted about 38% of Harvard's endowment investments, but accounted for 62% of Harvard's endowment income.

Just as most persons share with institutions the problem of meeting higher costs, "The Long View" points out they have the same opportunity for more income

**National Securities Series Wins 10th Straight Oscar**

For the tenth consecutive year, the Bronze Oscar for the best Annual Report in the Mutual Fund Industry has been awarded to National Securities Series.

The Oscar was presented to Henry J. Simonson, Jr., President of National Securities & Research Corporation, at the Annual Awards Banquet held on the evening of Oct. 26 in the Grand Ballroom of the Hotel Statler, New York. Over 1,400 executives attended the dinner.

The panel of judges making the final selections was headed by Dr. Pierre R. Bretey, editor of "The Analysts Journal." He was assisted by Samuel B. Jones, President of "The National Federation of Financial Analysts Societies"; Elmer C. Walzer, financial editor of the "United Press"; Richard C. Lytle, assistant research director of the "American Institute of Accounts"; Denny Griswold, publisher of "Public Relations News"; and Hollis Holland, authority on design and calligraphy.

The initial screening of the qualified reports was handled by a committee to 20 financial analysts under the direction of Sidney B. Lurie, President of "The New York Society of Security Analysts, Inc."

Clarity is the principal consideration. Financial statements, charts, text and other matter are reviewed for simplicity and ease of understanding. Other factors considered are typography, paper, color and layout.

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**LETTER TO THE EDITOR:**

## Finds No Easy Way to Select "Best" Mutual Fund

Milan D. Popovic, Vice-President of Blue Ridge Mutual Fund, Inc., cites five shortcomings in judging mutual funds by statistics and charts.

Mutual Funds are now an important part of our economic scene and there should be a proper understanding of their operation both by the public and by those who are engaged in selling their shares. Therefore, a few more thoughts can be added to the recent exchange of ideas which appeared in your issues of Oct. 8 and 22.

The selling fraternity likes to over-simplify and exaggerate their selling points and for that reason often creates an inaccurate conception of realities on the part of the uninitiated, in this case the normally rather inexperienced investors. The idea that there is an easy and accurate way of selecting the "best" Mutual Fund by looking at a few figures and charts is erroneous and should be discouraged. It may become a boomerang which will plague the entire industry sometime in the future.

The so-called management performance record tables and charts, used quite freely by the industry to sell the shares of Funds to the public, are an example of that. No doubt the data presented are carefully and accurately compiled but their interpretation should not be left to the half informed, highly prejudiced sales department.

For the sake of convenience, the widely circularized figures in the Arthur Wiesenberger's "Investment Companies for 1953" are used to discuss some of the distortions contained in the bare figures. Their use without knowledge of their meaning and shortcomings can be very misleading. On pages 124-5 a record of management performance of larger companies is shown for each year and progressively backward for two or three years up to 10-year periods. In subsequent pages a chart for each company is shown revealing similar data of investment results if an investor bought respective shares and held them for exactly 10 years ended Dec. 31, 1952. There is no doubt as to the accuracy and skill used in the preparation of these figures but, unfortunately, the mere fact that they are accurate makes them rigid and hides many pertinent realities. Some of these have been discussed by your correspondent in the Oct. 22 issue. The additional points that could be emphasized follow.

The past is not a picture of the future. The mere fact that the company did well in the past is not an infallible basis for judging the future. Any number of reasons can make the past figures meaningless. To mention a few:

- (a) How far should one go back? Each company has its ups and downs and often unfair results can be obtained by rigid adherence to identical periods and methods. Also a long period can be used to hide a number of sins in the interval.
- (b) Management constantly changes, not necessarily in composition of personnel but in ability, alertness, and capacity to respond to circumstances. In other words, the management of the past, particularly the more distant, is never identical with that of the future.
- (c) The past economic developments do not always repeat themselves in the future. The difference in emphasis placed by Funds upon various industries cause a pattern of performance which cannot be expected to be repeated in the next 10 years. For instance, there are Funds which by their emphasis on oil, utility holding companies or insurance stocks fared very well recently. The next 10 years will obviously be different for these industries in our changed economics.
- (d) Change in size of the company may have a great influence on the results. This is one industry where beyond a certain point increase in size does not bring more efficiency in operation, excepting in operating expenses which are of minor influence. The larger quantity of shares you buy, or sell, the less advantageous the price is because of the nature

**20TH CONSECUTIVE DIVIDEND**

The Directors of Television-Electronics Fund, Inc. have declared approximate distributions of 18c per share from investment income and 40c per share from realized capital gain, both payable November 30, 1953 to shareholders of record November 13, 1953.

Chester D. Tripp

November 6, 1953  
President  
135 S. LaSalle Street, Chicago 3, Illinois



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of securities markets. No one gives quantity discounts but the reverse. This means that it is much easier to manage efficiently a \$20 million company than a \$200 million company.

(e) The rapid growth in size in recent years has injected an element of fortuitous good fortune to some Funds. Obviously, investing cash in a rising market automatically creates profits not necessarily tied to managerial ability.

In the light of these shortcomings, some of which are emphasized by the passage of time, it is evident that the longer the range of past performances used, the less valuable it is.

To be more specific, it has become fashionable to use a 10 year period as a criterion in measuring the performance of the management of Mutual Funds. Even when compiled accurately and on a uniform basis the figures can be misleading unless analyzed by those who understand their meaning and know the background they reflect. Whether by accident or design, apart from the general considerations, these past 10 years contain a distinct element of statistical distortion. In the first place, it was a period of rising prices. Then, for an unknown reason, most Funds have shown a rather good performance record in three years, 1943-44-45, when compared with the stock market. Since then, their record has been generally not as good. This is illustrated in the following table compiled from the data on page 124, of Arthur Wiesenberger's "Investment Companies for 1953."

	a	b	c
1943	+25%	+30%	81%
1944	+19	+22	84
1945	+35	+38	63
1946	-8	-6	74
1947	+6	-1	3
1948	+6	-0	3
1949	+18	+17	45
1950	+30	+23	16
1951	+23	+15	8
1952	+18	+11	0

a % change in S. & P. 90 stock average in year.

b % Annual average change for 38 funds.

c % of funds with complete 10 year record which did better than the stock averages.

In the first three of the 10-year period evidently these representative Funds out-performed the stock market on the upside handsomely. After that they lagged behind. If one takes the results for the entire 10-year period the fact is hidden that actually most of the good results were derived

### Retail Prices at New High In 5th Monthly Advance

The retail cost of goods and services bought by families of wage earners and clerical workers in New York City rose 0.4% between August and September, it was announced by Robert R. Behlow, Regional Director of the U. S. Department of Labor's Bureau of Labor Statistics. Chiefly responsible for the increase were higher prices for apparel and food. The fifth consecutive month-to-month advance was responsible for the New York Index reaching a 1953 high of 113.2 (1947-49=100).

The Food Index advanced 0.4% during the one-month period. Cereals and Bakery Products, Dairy Products, and other foods purchased to be prepared at home were higher at the October level than a month ago. Fruits and vegetables declined 3.2% below the August level reflecting the general availability of fruits and vegetables in the produce markets. The important Meats, Poultry and Fish group advanced fractionally.

The Apparel index, 1.6% above the August level, is 0.7% below the level of a year ago. Higher prices were reported for women's fur trimmed and sports coats, wool and nylon suits, nylon hose and girls' dresses.

The Transportation index declined 0.1% over the month due in part to lower prices for used cars.

The New York City Consumer Price Index on a 1935-39=100 base is 187.3.

from the first three years and the subsequent seven years were rather sterile. In fact in some cases, while the 10-year record was highly satisfactory, all of the profit was derived from the first three years and a loss was sustained in the next seven.

As an example, taking the Fund which showed the largest aggregate increase in this period, an investment of \$10,000 on Jan. 1, 1942 would have been worth \$30,581 on Dec. 31, 1945, excluding investment income. Investing \$10,000 on the next day in the same Fund, it would have been worth only \$9,966 seven years later. Despite the excellent performance of the first three years, the following seven years were lean. A very misleading statistical story is created by using the blanket 10-year period. An entirely opposite picture on the adverse side will be shown when the starting date is three years later unless miracles are performed in the next three years.

Statistics compiled by such impartial sources as this have such shortcomings. More serious misconceptions are fostered in the sales literature prepared by individual companies themselves. It is a poor statistician who cannot prepare a statistically impressive story. A favorable and statistically accurate, though not necessarily complete story, can be prepared practically for any Fund. It is the opinion of this writer that the use of such statistics in selling shares to the public ought to be discouraged. An investor in Mutual Fund shares should not be led to have excessive expectations from his investment.

Very truly yours,  
MILAN D. POPOVIC,  
Blue Ridge Mutual Fund, Inc.  
14 Wall Street,  
New York 5, N. Y.  
Nov. 4, 1953.

### CLOSED-END NEWS

**TOTAL NET assets of Carriers & General Corp. at Sept. 30, 1953, with securities valued at market quotations and before deduction of principal amount of outstanding debentures, were \$10,378,808 (excluding unamortized debenture financing costs of \$6,457). These compared with total net assets of \$10,530,340 on June 30, 1953. Net asset value of the common stock was \$15.16 a share on Sept. 30, 1953 compared with \$15.43 a share on June 30, 1953.**

The asset coverage per \$1,000 of debentures outstanding on Sept. 30, 1953 (excluding unamortized debenture financing costs) amounted to \$5,544. Interest and amortization requirements on debentures outstanding were earned 7.80 times during the first nine months of 1953. Net income applicable to common stock for the nine months ended Sept. 30, 1953 (exclusive of profits on sales of securities) was \$290,940 compared with \$291,100 for the nine months ended Sept. 30, 1952.

The Adams Express Company announced that the net asset value of its common stock at Sept. 30, 1953 is estimated at \$35.89 per share compared with \$41.07 at Dec. 31, 1952. Its holding of American International Corporation, a majority-owned subsidiary, is included at net asset value at both dates.

American International Corporation announced that the net asset value of its common stock at Sept. 30, 1953 is estimated at \$22.78 per share compared with \$26.49 at Dec. 31, 1952.

Petroleum Corporation of America announced that the net asset value of its common stock at Sept. 30, 1953 is estimated at \$22 per share compared with \$25.38 at Dec. 31, 1952.

Continued from page 7

## The Dilemma of Balancing the Budget

of dollars that continue to buy less and less in clothes, in food, in homes.

It means savings—savings not only to give individual families better security, health and education but also to give the nation the indispensable resources to build factories, expand mills, develop mines, drill oil wells, and erect power plants. Savings make jobs, and are essential for the high productivity of American labor and our increasingly higher and higher standards of living.

It means—in cheaper costs to State and local governments—the chance to build more of the highways, the hospitals, the schools which are priceless monuments of a nation prosperously at peace.

All these are our resources for the saving of freedom.

They are—in the largest sense—but some of the reasons for holding confidence in our economic future.

They are part of the answer to those who see—or pretend to see—threatening disaster in our economy, especially if the margin of defense industries is cut.

Neither American business nor American labor needs war to be prosperous.

Our population is increasing—by thousands of new-born each day—at a rate of close to 15% in a decade.

The needs and wants of Americans are increasing no less swiftly. Every American family wants more opportunity and a better and fuller life for each succeeding generation.

And our capacity to meet these needs—as we stand on the threshold of an atomic age for the good of mankind instead of for evil—is beyond the imagination of most of us living today.

As the threat of aggression recedes, our huge expenditures for defense can decline.

### Not Headed for Depression

But, this does not mean that we are headed for a depression.

In our great and growing economy, adjustments are constantly going on. Wherever these adjustments are required, let's face them with confidence and correct them: keep our eyes open and not believe in blind faith; seek out the soft spot and see what can be done about it.

Government spending must be reduced. But tremendous amounts of money will still be pumped into the economy by the government because only relatively small reductions can be made quickly. Likewise, it is the definite policy of this administration, through tax reduction, to return to the people for them to spend for themselves all real savings in government spending which can be reasonably anticipated. This we are doing with the expiration of the excess profits tax and the 10% reduction in individual income tax which will become effective on Jan. 1.

The reduction of taxes is a determined purpose of this Administration. The sooner it is done, the sooner the consuming community can quicken its demands upon the productive capacity of the whole nation. And the potential increase in these demands through tax relief, as fast as our defense needs permit, is the surest stimulant to continued progress and a high level of activity.

The great additions to producing capacity which have been stimulated by government action over the past few years are now becoming available. The volume of goods we can now produce is far greater than ever before.

Lower percentage levels of operation in some lines will develop more material than we have ever had, and it may well be that in some cases this output may be all that the country needs for a while. But does this mean catastrophe?

Our volume of production and employment can be higher than ever, and we may still have some capacity in reserve. High volume but good supply means competition, efficiency, and more value for the consumer's dollar. Surely we haven't reached the point in this country so that all we can see is calamity if the day of allocations and the ordertaker is passing.

### Don't Fear Competition

It cannot be that Americans fear a free competitive economy. It is in such an economy that we grew great. A little more production, a little more selling, a little more effort and ingenuity have given us higher and higher standards of living. Surely we are not fearful that we cannot do it again.

I can assure you that this Administration is dedicated to the maintenance of a high level of employment and production and will always pursue policies to foster that end.

This is the kind of economy we are striving to encourage: healthy and imaginative, fortified with sound currency, confident of the prudence of its government, and ready for the exciting challenges of tomorrow. Such an economy is equipped and alert to meet—and to live by—the simple truth that America is the world's greatest unfinished business.

I remind you again: this American economy—healthy, vital, daring—is our first line of defense for freedom itself. For a fact that cannot be too often repeated is this: America's greatest defense against any enemy is the power and potential of American mass production.

This is indeed a plain truth. And yet general awareness of it would free us from a great deal of that kind of partisan debate which today generates more heat than light.

We know that sick American economy would fulfill the Communist dream of conquest just as surely as disaster on the battlefield.

We know that the strictly military defense of America does not result simply from the spending of huge amounts of money. It is of much more importance to know how well planned and how efficiently the expenditures are made and how fully we get our money's worth.

Our security depends upon economic strength, guarded and directed to sustain a defense program whose worth can be measured not by its cost but by its wisdom.

We live in an age witnessing a revolution in scientific and production techniques. In such an age, the surest formula for defeat would be a static defense—committed to old-fashioned strategy—served by obsolete weapons.

For greater emphasis I repeat here what I have said before.

### Defense vs. Disaster

There would be not defense but disaster in a military program that scorned the resources and problems of our economy—erecting majestic defenses and battlements for the protection of a country that was bankrupt and a people who were impoverished.

There would be not defense but disaster in so massive a program of arms production that our strength and resources might be

come exhausted and we would lose the capacity to continue the effort—so that tomorrow's threat would have to be met with yesterday's weapons.

To all those who pretend that these problems can be solved by a dramatic slogan—to all those who give the people choices between false alternatives—we say that the essential truths are simply these:

**First:** We know that a healthy economy is America's surest source of strength in meeting any enemy.

**Second:** We know that a high level of employment and industrial activity is essential for the maintenance of such an economy.

**Third:** We know that no such economy could be assured without the health of honest money, economical government, and sound monetary policy.

**Fourth:** We know that a balanced but adequate defense program, fluid and imaginative, mobile and elastic, will and must be supported by whatever appropriations logic and necessity demand.

We hold these truths not as some preconceived economic axioms—or theories of which we are prisoners—but as simple, common-sense rules for achieving true national security.

Of all these truths, this Administration is deeply aware.

We are aware, no less, that the economic problems we must meet do not end at our shores.

Our trade in the world—and the world's trade with us—are essential parts of the strength all of us need to stay free. Our own industries are vitally dependent upon raw materials from the most distant parts of the earth. Our farms as well as industry need markets abroad—without which our whole farm economy could be gravely dislocated—even while many foreign nations are increasing hugely their own production of grains and other foodstuffs.

What happens in the valley of the Nile, and the plains of Turkey, or in Pakistan may affect our farms in Kansas and Iowa. What happens in Malaya or the Belgian Congo may affect our industries and our defense program.

And so our defense of ourselves inevitably involves the conditions obtaining in many areas—seemingly distant and strange, yet really vital and near.

These, too, are truths by which we must live in this difficult period. By them we must be guided in all our judgments and actions, as the chosen servants of America at such a time.

But above all these matters, I venture to suggest that one challenge rises to tower over all others. We must provide that moral leadership, that steadfastness of spirit and mind, which alone can make us worthy of the high commission that history has conferred upon us.

We must care more for truth than for success.

We must care more for the hopes of the people than the votes of the people.

We must always worry more about our problems than the headlines.

We must scorn the glib promise, the false phrase, the shallow excuse, and the clever evasion. Let these be the devices only of those who hunger for power.

Let our ambition be but one: justice and security for America.

Born of a brave past, we have nothing to fear of the future.

If worthy of the present, the future will be ours—with a freedom of peace and productivity beyond the dreams of our fathers—worthy of the hopes of our sons.

### Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)  
BOSTON, Mass.—Walter Sanford Chapin is now with Goodbody & Co., 140 Federal Street.

Continued from first page

## The Farm Problem

Green Mountains of Vermont, and far over into the Imperial Valley of California — in short, everywhere in rural America.

As to depth of penetration, the first Hoover report (1949) revealed some samples. There were, for example, 47 employees attached to seven districts and separate field services of the Department of Agriculture in one cotton producing county in Georgia working with 1,500 farmers. A fruit and grazing county in Washington State has 184 Federal employees working with some 6,700 farmers. A dairy county in Maryland has 88 government workers for its 3,400 farmers. These figures include only Department of Agriculture personnel, not all the other Federal and state employees converging on the American farmer.

Just what are the field services and agencies of the Department of Agriculture to be found at the county level? They include the Soil Conservation Service, the Extension Service, the Farmers Home Administration, the Production and Marketing Administration with its separate conservation payment program and school lunch program, the Farm Credit Administration with its production credit facilities, the National Farm Loan Association, and the Rural Electrification Administration.

Besides these, other government employees may be present for the Bureau of Entomology and Plant Quarantine, which has been assigned the responsibility of insect control and plant disease eradication; the Forest Service with its farm-forest management program; and the Bureau of Animal Industry with its animal disease control program. Employees of the Veterans Administration are also likely to be present (to administer on-farm industrial training), as well as farm labor representatives of the Federal-State Employment Service.

Superimposed on this vast bureaucracy are a number of voluntary county advisory committees of farmers. Though these farmers' committees give a modicum of democracy to the government intervention, their presence generally adds to the confusion, delay, waste, and cross purposes. The administrative functions assigned to these committees give the illusion of grass roots control but merely cloak the real directives and responsibility issuing from the Washington bureaucracy. One estimate puts the annual cost of these farmer advisory committees alone to the Federal Government at upwards of \$5 million.

The Hoover Commission Report of 1949 points to a "maze" of agencies directly lending public funds for liberal loans to farmers.<sup>1</sup> Four agencies were, fortunately, in the process of "liquidation." They were: The Regional Agricultural Credit Corporation, The Agricultural Market Act Revolving Fund, The Joint Stock-Land Banks, and the Federal Farm Mortgage Corporation. But the Hoover Commission found, in all, nine overlapping agricultural credit agencies in active operation. These were: the Federal Land Banks, the Production Credit Corporation, The Banks for Cooperatives, The Federal Intermediate Credit Banks, the Farmers Home Administration, the Rural Electrification Administration, the Federal Crop Insurance Corporation, the Agriculture Department Disaster Loans program, and the giant of them all,

"excessive profit margins" of the major meat-packer, oft-investigated scapegoats for inevitably unsuccessful government intervention.

The bizarre history of American farm intervention is thus far from being on the wane. The farmer's traditional status of rugged independence has been worn down from 30 years of increasing intervention. Practically all of the farmer organizations (whose headquarters are not without accident located in Washington) demand government intervention in one form or the other, usually "flexible" price supports and tariff protection for the "conservative" organizations such as the National Grange and the American Farm Bureau Federation and the continuation of present high supports and fuller intervention for the "liberal" farm groups such as the National Farmers Union.

To what end? The enormous waste and misdirection of our resources, the heavy contribution of this policy to continuing government deficits, the questionable ethics of taking from one part of the population (by far the largest part, incidentally) and giving to another part, the prevalence of an accelerating interventionistic philosophy which knows of few permanent limits and which could ultimately lead to a totalitarian state—all this is past, present, and probably, alas, future history. How did we get into this sad state of affairs?

The government farm policy may be said to have been started with its land policy which disposed of approximately one billion acres of federal land by sale or gift. Most of this land went to migrant farmers though sometimes indirectly via railroad companies and states. The "homesteaders" and the "free soilers" could hardly help but add to an almost permanent problem of overproduction of farm commodities with such superabundance of land and a relatively sparse population. But the first farmer organizations, the Granges, sought more obvious targets, the operators of warehouses and railroads. Their lobbying met with success. Several states passed "granger laws" regulating the railroads and warehouses. Such laws were affirmed constitutional by a decision of the Supreme Court (*Munn v. Illinois*, 1876), which ruled that the states could regulate what was essentially intrastate commerce and the federal government could regulate what essentially was interstate commerce. Not long afterwards Congress through the Interstate Commerce Act (1887) authorized federal jurisdiction over the railroads.

But the farm surplus problem continued unabated until shortly after the turn of the century. Three factors contributed to the prosperity of the American farmer in the pre-World War I era. These factors were: the disappearance of the Western frontier with the concomitant diminution of free or cheap land, the heavy immigration into the U. S. providing good urban markets, and the industrialization of Europe providing good export markets for our crops.

But some seven months later in a major farm policy address, Secretary Benson asserted that existing farm programs "don't go far enough." These programs did not assure to the farmer an "equitable share of the national income." "I have not become Secretary of Agriculture of the United States to sit idly by wringing my hands and let the farmer be squeezed by lowered farm prices and high fixed costs," he declared.<sup>2</sup> In September of 1953 the changeover or political metamorphosis was almost complete. The Secretary ordered his economists to probe charges of

for the blue sky price of \$500 an acre. Speculation pyramided land values. The result was that the excess capacity and inflated overhead rendered American farmers extremely vulnerable.

In late 1919 the bubble burst, and farm prices tumbled. And so throughout the otherwise relatively prosperous twenties, the farm problem remained the one black spot.

Initial relief for the farmers was attempted through the boosting of tariffs on farm commodities to record highs. The so-called "emergency tariff," the Fordney-McCumber Act of 1922, however, failed to bring any real aid to the farmer. To cite an example, wool, which had been on our free list, was made dutiable again. But along with hundreds of other farm and non-farm products, American wool soon found foreign markets practically precluded by foreign retaliatory tariffs. Obviously stronger intervention was called for, according to government "experts" in the Department of Agriculture.

Congress tried legislation sponsoring farm cooperatives but to little avail. The depressed prices continued. The government apparently did not encourage the one real solution to the problem: progressive disinvestment to reduce over-capacity. The marginal and sub-marginal farmers clung desperately to a hopeless situation and thus tended to pull down the rest of the industry. Opportunities in other lines of endeavor were available if they shifted. Unfortunately not many did.

The government instead proposed drastic interventionistic action. Ironically it was a Republican Congress which passed the forerunner of today's farm policy, the twice-vetoed McNary-Haugen Bills. The background of this proposed legislation is interesting.

In 1922 Harding's Secretary of Agriculture, Henry C. Wallace (father of Henry A. Wallace) called a national conference on agricultural policy. One of the conference delegates, George N. Peek of the Moline Plow Company of Illinois and later Administrator of the unconstitutional New Deal Agricultural Adjustment Act, made a resolution that the Congress and the President should take such action as was necessary to "reestablish a fair exchange value for all farm products." The resolution carried. Not long afterward Peek and Hugh S. Johnson, later Administrator of the New Deal N. R. A., published a pamphlet called "Equality for Agriculture."<sup>3</sup> Their argument claimed that farmers were entitled to a "fair" exchange value for any farm commodity—"fair" meaning that its price would bear the same mathematical relationship to the present overall price index as had existed in the 10 years preceding the First World War. One illustration showed that according to this fair exchange value scheme wheat, which was selling at the time for \$1.02 a bushel, would have been \$1.60. Businessmen were unimpressed but Secretary Wallace talked up the possibility of something of the sort being worked out. Thus was the way paved for the McNary-Haugen bills.

The McNary-Haugen bills were a complicated business. The farmer, anti-trust laws notwithstanding, was permitted in effect to restrict that part of his production going to domestic markets until his price rose to a predetermined level, the Peek-Johnson "fair exchange value." At last the farmer was to have "equality" or parity with industry. The surplus of the farmer's production would then be dumped onto foreign markets for whatever price it would bring. Undue losses on foreign sales, however, were recoverable through an "equaliza-

tion fee," which the farmer would attach to his domestic price and thus ultimately charge the domestic consumer.

President Calvin Coolidge had anticipated the demand for such protective farm legislation. He knew that granting special aid for declining industries was a dangerous precedent. Other industries could then argue for their "fair" share of protection. Competition thus constrained, American productivity would be jeopardized. In his annual message to the Congress in 1927, he stated:

"It should be the aim to assist the farmer to work out his own salvation, socially and economically. The main problem is one of dealing with surplus production. It is useless to propose a temporary expedient. Government price-fixing is known to be unsound and bound to result in disaster. Government subsidy would work out in the same way. It cannot be sound for all of the people to hire some of the people to produce a crop which neither the producers nor the rest of the people want. Price-fixing and subsidy will both increase the surplus instead of diminishing it. The most effective means of dealing with surplus crops is to reduce the surplus acreage. While this cannot be done by the individual farmer,<sup>4</sup> it can be done through organizations already in existence, through information supplied by the Department of Agriculture, and especially through banks and others who supply credit refusing to finance an acreage manifestly too large. It is impossible to provide by law for an assured success and prosperity for all those engaged in farming."

Notwithstanding the announced predisposition of the President the Congress pushed through the complex and unwieldy McNary-Haugen Bill. President Coolidge showed better sense. He vetoed the bill, and in his veto message he told Congress:

"Government price-fixing, once started, has alike no justice and no end. It is an economic folly from which this country has every right to be spared. . . . There is no reason why other industries—copper, coal, lumber, textiles, and others—in every occasional difficulty should not receive the same treatment by the government. Such action would establish bureaucracy on such a scale as to dominate not only the economic life but the moral, social, and political future of our people. The main policy of this bill runs counter to the well-considered principle, that a healthy economic condition is best maintained through a free play of competition, by undertaking to permit a legalized restraint of trade in these commodities and establish a species of monopoly under government protection, supported by the unlimited power of the farm board to levy fees and enter into contracts. For many generations such practices have been denounced by law as repugnant to the public welfare. It cannot be that they would now be found to be beneficial to agriculture."

And thus ends the era of good sense in ascendancy. The warnings of President Coolidge, almost to the letter, came too true. His was a policy of *laissez faire*. He had argued that you cannot cure a surplus with more surplus, that you cannot cure over-investment with more investment. He sensed the danger of bureaucracy and intervention supplanting the market-place—demand and supply—as a director of economic energy. He knew that the market solution which had already lowered the farm proportion of the population from 98% in 1790 to 22% in 1927 could again achieve a balance be-

<sup>1</sup> The Hoover Commission Report, McGraw-Hill Book Co., New York, 1949, pp. 244-249.

<sup>2</sup> Ezra Taft Benson, speech, St. Paul, Minn., February 10, 1953.

<sup>3</sup> Ezra Taft Benson, speech, Augusta, Wis., September 19, 1953.

<sup>4</sup> George N. Peek and Hugh S. Johnson, "Equality for Agriculture," Moline, Illinois, 1922.

<sup>5</sup> Not so. Shortened credit would cut some planting and the sub-marginal farmer would eventually withdraw from production altogether.

tween farm production and national consumption.

Pressure on the Hoover administration for farm action was inconsistent. Such farm spokesmen as the leaders of the American Farm Bureau Federation, the Farmers Union, and the National Grange publicly called for interventionistic—they did not use this term, however—legislation. The result was that the Agricultural Marketing Act of 1929 was easily passed by both houses and signed by the President. The Act set up a well-capitalized Federal Farm Board with a revolving fund of 500 million dollars “to contribute to orderly marketing” and “to promote education in the principles and practices of cooperative marketing.” The Board was instructed by the Act to aim at placing agriculture “on a basis of economic equality with other industries . . . by aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution.” Compared to later New Deal legislation, the Federal Farm Board was mild intervention. The important fact, however, is that it furnished a starting point for greater New Deal intervention.

In fairness to the interventionistic scheme of price propping, the timing, inadvertent of course, of beginning the operations of the Board could hardly have been worse. Wheat buying began in September and cotton in October of 1929. The stock market crash and the beginning of the Great Depression came but a few weeks later. The demands upon the Board for supporting crop prices under such conditions were staggering. By 1931 wheat was down to 39 cents per bushel from \$1.04 in 1929. Cotton was down to six cents per pound from the seventeen cents in '29. The Board held 80% of the total wheat supply in the country, some 257 million bushels. Similarly the government inventory of cotton amounted to 3½ million bales or about one-third of the annual cotton output of the nation. Heavy losses were also sustained on wool, mohair, grapes, dairy products, raisins, and others. The Board, already out \$350 million of the taxpayers' money, was refused additional appropriations by the now Democratic Congress in 1931.

The farmer's first round in his fight for “equality” had thus ended in a fiasco. Moreover, the Smoot-Hawley Tariff of 1930, like its predecessor, the Fordney-McCumber Tariff of 1922, provided no tangible relief, though its sponsors boasted that it was the highest tariff in the history of the country. With such a background, farmers were ready to try greater interventionism.

In the Midwest, Henry Agard Wallace, son of a Republican Secretary of Agriculture and Editor of the “Wallace's Farmer,” a highly influential farm journal, helped fan the prairie fire of discontent. Raging against the depressed farm prices, he editorialized: “The farmer is getting tired of being the goat.” Despite the lack of success of the Federal Farm Board, he still strongly espoused the concept nurtured by his father—equality. In 1928 he had deserted the Republican banner of his father. In 1932 young Wallace helped swing Iowa and other Midwestern States to the Democratic column. He became Roosevelt's first Secretary of Agriculture, a tremendous power in the New Deal, and in 1948 Presidential candidate of the radical Communist-supported Progressive Party.

Wallace then drafted the Agricultural Adjustment Act of 1933, which was sent to the Congress along with message from President Roosevelt, saying that the “unprecedented condition calls for the trial of new means to rescue agriculture.” The President thus admitted that the AAA

scheme was frankly experimental. Former President Herbert Hoover called the scheme “fascistic.” In view of the AAA program's undisguised class motivation, its setting up the central government as the lord guarantor of the farmer's income, its authorizing of government intervention right down to the farm itself, its promotion of monopoly, the charge seems warranted. This thought is in sharp contrast to President Roosevelt's statement that the Democratic platform was a “program whose basic thesis is, not that the system of free enterprise for profit has failed in this generation, but that it has not yet been tried.”

How far removed the provisions of the AAA were from “the system of free enterprise for profit” can be seen in an analysis of the Act. The core of the Act was a strong interventionistic effort to control acreage and livestock population on each “cooperating” farm. Through this restriction of production, the AAA planners sought to prevent surpluses and to prop up prices. There were, of course, no standards for determining the size of the acreage allotment. The AAA administrators used arbitrary judgment, a more or less hit-and-miss technique. Over-all reductions were decided in Washington and then prorated to States, counties, farms. Politics intervened all the way.

The remarkable implementation for securing the farmers cooperation was payments to the farmers for “denied production,” that is, for simply not growing. It was a bewildering Elysium. Ten million acres of cotton were plowed under. To bring down the hog population to the Department of Agriculture-dictated total, baby pigs were prematurely dispatched to the butcher. Those few non-cooperating farmers who resisted the lure of subsidies mostly capitulated eventually. Their access to markets was impeded so as to change their minds.

Another provision that sharply broke with the tenets of “the system of free enterprise for profit” called for a special “processing” tax to be paid by the initial purchaser of cotton and wheat. The proceeds of the tax were to provide the funds for rewarding the farmer for his “non-production.” The tax, of course, was shifted to the consumer in the form of higher prices.

This tax was one of the specific reasons for the temporary relapse of the New Deal in the mid-30s. In 1936 the “unreconstructed” Supreme Court, after having had ruled invalid the National Industrial Recovery Act, declared the AAA unconstitutional. The grounds cited for the action contended that the processing tax was discriminatory class legislation, that taxing one group in order to subsidize another was violative of our historical traditions, that the Federal intervention was an invasion of States' rights. This “conservative” viewpoint was doomed in the immediate future of the Court. Death and retirement prepared the way for the appointment of Justices whose minds were unfettered by what President Roosevelt called “horse-and-buggy” precedents. But this came only after the once-supine Congress arose almost as if one man to put down the famous “court-packing” bill of President Roosevelt.

The New Deal intervention for farmers thus persevered. Carrying the intriguing title of the Soil Conservation Program, the Roosevelt Administration continued to subsidize farmers for restricting acreage. Checks were also given to farmers for adding to the soil chemical restoratives and fertilizers which the farmers most frequently would have added anyway. By 1938 no veil of subterfuge was deemed necessary. The second Agricultural Adjustment

Act was passed during the sharpest recession in the history of the country—the depression within a depression,” as the popular description of the day went.

The new AAA carried Secretary Wallace's pet concept, the “ever-normal granary.” This was the idea that through a giant storage operation the government would buy when prices were low thus tending to raise prices and sell when prices were high thus tending to lower prices. Thus, if successful, prices would be stabilized and government profits would be offset by the cost of storage.<sup>6</sup> The plan did not work. The government bought and bought but prices remained low. Government commodity inventories built up crazily. Only a war could possibly move the mountains of foodstuffs. Eventually only a war did.

Despite dust storms which greatly cut down farm production, acreage restriction failed to halt the surplus production. Instead of farming extensively farmers, lured by the high parity prices, farmed intensively on their government-narrowed fields. Hybrid seeds were used, better fertilizers, more efficient productive methods. Moreover, the farmers utilized their restricted acreage for non-restricted crops—there was nothing in the law that said they couldn't. Thus substitute crops, especially soy beans, legumes, and animal feed crops, were grown. Surpluses thus popped up elsewhere, too. Hog production, for example, climbed because of the greater feed supply to the bafflement of the AAA planners. (Acreage restriction is again being attempted with the same negative results.)

In addition to this, marketing allotments to each “cooperating” farmer were set up by the Department of Agriculture. Field representatives sent in reports to Washington. Washington then dictated the allowable state quotas, county quotas and individual farm quotas. The plan is remarkably similar to those of Gosplan, the official State Planning Commission of the Soviet Union, and its dictated commissariat quotas, administration quotas and individual factory quotas. The American farmers were quick to note the arbitrariness of the Department of Agriculture's production limits. Resentment crept in. The unscientific and authoritarian nature of the limits were not the only factors in causing resentment. The farmers were naturally frustrated in being unable to expand acreage when prices were high, however artificially. The temptation for collusion between the farmers and the field representatives of the Department of Agriculture must have been strong. How easy it would have been to “adjust” Farmer X's marketing quota—an oversight here, a discrepancy there. Many scandals involving both farmers and government agents were reported. Jail sentences were meted out. How much collusion there actually has been is not known.

The New Deal did not propose to overlook the truck and specialty farmers. For the growers of vegetables, fruits, nuts, milk and dairy products and others, “democratic” marketing agreements were encouraged. Through this program farmers met together and with government supervision they calculated just how much of their combined product should be sent to market so as to get the maximum income. Individual market allocations for each farmer was then agreed to.

This process was, of course, an outright monopolistic device, a domestic cartel. Ordinarily such

combinations, so clearly “in restraint of trade,” could have been sued by the Anti-Trust Division of the Justice Department. At the time, however, the Anti-Trust Division was busy attacking Big Business “for diminishing competition.” Besides, the Secretary of Agriculture himself approved and promulgated the marketing agreements of the farmers. It would appear foolish for the Justice Department and the Department of Agriculture to lock horns.

A fairly late entry in the government farm hedge-podge was the provision for “loans without recourse.” Designed to hold off surpluses to prevent them from creating a glut, the loans without recourse specified that only “basic” (storables) commodities were eligible. The farmer borrowed at some per cent of the parity price of each eligible crop—originally 52 to 75% by the 1938 act, 85% by the 1941 act, and 90% in recent years. The “without recourse” feature of the loan was attractive to the farmer. It meant that if the market price fell below the support price the farmer would keep the money and the government would keep the crop. One student of this government economics commented: “From the farmer's point of view the scheme amounted to realization of the old say, 'Heads I win; tails you (the government) lose.'” The Commodity Credit Corporation, the agency of the Department of Agriculture instructed to execute these magnanimous loans, soon found itself heir to mountains of foodstuffs.

Farm prices thus increasingly moved into the status of guaranteed prices. The incentive for farmers to produce under such stimulation was near irresistible. Soon the CCC had a billion dollars of commodities on hand or on loan and the prospect was for larger commitments yet. Food was flooding in faster than facilities for storage could be erected or leased. A new agency had to be created to dispose of the fast-accumulating food surpluses. Its name: The Federal Surplus Commodities Corporation.

First, a food-stamp program was set up by the Corporation. Orange-colored stamps were sold to low income families. With every one dollar orange stamp, the purchaser got a free 50-cent blue stamp. The orange stamp was good for the purchase of any commodity in the store, the blue stamp only for surplus commodities—declared surplus by the FSCC. The grocer was then permitted to cash in all stamps, orange and blue, at face value. The government, in short, gave \$1.50 worth of food for \$1. It was a bargain for both consumers and producers, and more than three billion pounds of food moved through this channel and through direct relief. With the coming of World War II and the big rise in farm exports, the surplus problem evaporated “for the duration”—but no longer.

The heart and rationale of the New Deal and later the Fair Deal farm policy was the concept of “parity,” really the Democratic version of the old Peck-Johnson idea of “equality” which had been written into the McNary-Haugen bills and into Hoover Administration's Agricultural Marketing Act of 1929. Parity was to re-establish the relationship of farm prices to industrial prices as they existed in the farmer's “golden era,” August, 1909 to July, 1914. Calculation of separate parity prices for each commodity was involved. Each month thousands of farmers and merchants supplying farmers filled out questionnaires for the Department of Agriculture. From them the Department constructed national averages of “prices received” and “prices paid” by farmers. Thus if the published market price of cotton was 25 cents per pound and the parity formula indicated that the price ought to be 35 cents per pound, the argument would be laid for a

subsidy payment to cover the 10 cents difference between the actual price and the parity price.

During World War II farmers were exhorted again to “go all-out” in production. Farm production zoomed upward, and the land expansion, although less drastic, paralleled that of World War I. One problem was that food prices were brought under the jurisdiction of the price-control agency, the Office of Price Administration. At the same time farm prices were being supported at or near parity. The solution was to make up the difference through direct subsidy payments to farmers. The claim to consumers that food prices were held in line was illusory. While the OPA price was indeed relatively low, the consumer was taxed in order to pay the farmer the difference. Or else he went into the black market and paid the full price plus a premium anyway.

In the years following the close of World War II, the government continued its firm policy to support prices at or near parity. This fact plus the host of foreign aid and gift programs staved off the collapse of the World War I type. But as European farm production was restored our parity-frozen prices swiftly precluded our entering world competition and gaining export trade. Surpluses again became a serious problem. While it is true that some of our wartime export market would be lost anyway with the restoration of European farms and worldwide shipping, it is also true that competitive pricing, impossible under the parity program, would have given vast outlets for American farmers. Instead the growing farm surpluses found their way into government storage facilities, only part of which was liquidated by our participation in the International Wheat Agreement.

In 1949 a “solution” to the curse of surpluses was put forward by President Truman's Secretary of Agriculture, Charles Brannan. Though the so-called Brannan Plan never did come into existence, it demonstrates anew the infinite extensibility of interventionistic power, once established. The plan can be said to have hewed to the questionable thesis that the cure for bad intervention is more intervention.

The Brannan Plan would continue in effect to guarantee the farmer's income. This time, however, the guarantee would be stronger and the basis for parity would be “equivalent in purchasing power to the average annual purchasing power of cash receipts from farm marketing during the 10 calendar years 1939 through 1948.”<sup>7</sup> These particular 10 years were the most prosperous in the entire history of American farming, greater even than the previous base period, 1909 to 1914, the “golden era.” The paraphernalia of the hedge-podge farm policy would continue—acreage restriction, parity payments, loans without recourse, government purchases, marketing agreements. The main innovation, however, was the supposed return of free market forces of supply and demand to set market prices. In other words, the consumer would pay the market price, the farmer would get the guaranteed support price, and the government would pay the difference between the two. The Secretary ignored here the hyper-stimulant of guaranteed prices on supply. Such sure-fire inducement is bound, despite attempts at restrictions, to pyramid supply. Little wonder then that the Secretary was completely unable to offer any cost figures to the Congress in support of his plan.

Significantly the big farmer was excluded from the plan. Secretary Brannan said: “In my opinion, we would be wrong.”

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<sup>6</sup> Not an original idea. John Law suggested it early in the 18th century. “Erecting of national granaries and stores of corn, so as that the industry of this kingdom may not as hitherto be at any time clogged by extreme cheapness, now crushed by the extreme dearth of grain.” John Law, *Money and Trade Considered*, Edinburgh, 1705.

<sup>7</sup> Charles F. Brannan, Statement printed in *Congressional Record*, April 7, 1949.

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## The Farm Problem

allow our programs to operate in such a way as to encourage the concentration of our farm land into fewer and fewer hands." Yet the Secretary did not mention that "fewer and fewer hands" has been a trend in the U. S. for more than 100 years, Brannan Plan or not. In 1790 the farm population was estimated to be 96%; today the Department of Agriculture's own Bureau of Agricultural Economics puts the figure at about 16%.

The farm policy was but slightly deflected by the Korean intervention of the President in 1950. Again parity prices were pitted against price control. But again the President, Harry S. Truman, was equal to the problem: subsidies. President Truman told the Congress in 1951: "If we find that we cannot hold the line on food prices with powers recommended here, we shall need to consider legislation authorizing the use of other devices, including limited food subsidies, to prevent necessary price increases from being reflected in rises in the cost of living." (Author's italics.)

Such an attempt to camouflage a rise in the cost of living by subsidies is obvious. The subsidies could of course only originate out of taxes or borrowing (delayed taxes). The price of farm products may have remained the same but the taxpayer-consumer simply paid the differences to the tax collector.

The Eisenhower Administration has done little to modify the farm policy in its first year, though there was little that it could do in view of the continuing legislation which it inherited. What challenge for a revitalized farm policy there was went awry with the Democratic victory in Wisconsin. The President capitulated to the interventionists. On Oct. 15, 1953 he projected a policy continuing high supports. The Administration could have gone a long way to extricate both the farmer and the government from the mire of interventionism. And in the person of Ezra Taft Benson, Secretary of Agriculture, it seemed, initially, to have such a man.

What conclusions can the observer of government farm policy reach? What have been the results of that policy? What arguments are used to justify that policy? If that accelerating policy continues, where are we going?

The wheat poll of August, 1953 provides some partial answers. In view of the endorsement of greater government controls, the American farmers can no longer be relied upon to refuse interventionistic "assistance." Time and intervention have wrought profound changes in the old agrarian tradition of individual action. (The New York "Times" takes a more tolerant position on the implications of the wheat poll: "The only thing proved by last week's wheat poll is that American farmers, being totally sane, would rather receive \$2.20 for a bushel of wheat than \$1.20.")

Moreover, the wheat poll shows no tendency of the government to cease or diminish its farm intervention of its own accord. Mutual involvement for both government and farmer becomes greater. The government utterly fails to accomplish any balance between production and consumption. It forces the consumer to pay higher prices for his food and higher taxes to support farm prices. In the meantime, the government asks for greater power to cope with a situation that could only be called hopeless.

The farmer well understands

that his total capacity to produce is greater than the nation's ability to consume—else why would he have voted for the intervention of acreage restricted? But years of accepting government checks have reduced the American farmer to the situation paralleling that of many an American Indian on the reservation—free to leave the easy life of government hand-out but afraid of the responsibility of independence. The "farm bloc" atop the Hill knows all this but it wrings its collective hands. "Our constituents want it," they explain; that of course solves everything.

And how effective will be the new acreage controls which the voting wheat farmers voted into existence? (The "voting" qualification before wheat farmers is to note that of the 87% farmers who voted for controls represent less than 30% of American wheat farmers. It is probable that many of the 70% of the wheat farmers who did not vote did so as a protest.)

One reportorial study by the "Wall Street Journal" represents farmers as having a sense of direction not like that assigned to them by the agricultural planners.<sup>9</sup> The planners directed a cutback in production. But most of those interviewed indicated that they would make up for the acreage loss by more intensive farming. Emmett Blood, a wheat farmer in the Wichita, Kansas, area, said about his restricted 600 wheat acres in August of 1953: "I'll use my best acres for what wheat I can plant. I'm going to use lots of fertilizer and hope there's enough rain to really make it pay." Many farmers noted that they would devote their acreage not open to wheat to other grains not restricted. Surpluses would of course then pop up elsewhere, as in the 30's. Intervention by restriction would be an endless process, as before and before. George Chandler, Vice-President of the First National Bank, in Pratt, Kansas, warned an apparently naive government of the obvious: "Acreage restrictions alone won't cure the surplus. We'll show them we can eventually raise just as much wheat on fewer acres. The government will see that it just has to come up with something better."

All this had happened time and again in the past. Hegel once said that the only thing history teaches us is that it teaches us nothing. So it must be with our farm policy.

Inconsistency of farm policy is also well illustrated by the government's handling of the cheese problem, a problem like most of the "farm problems," self-imposed and sustained by the government. The Under-Secretary of Agriculture, True D. Morse, paid a special visit to the National Cheese Institute meeting in Chicago in the spring of 1953. There he told the cheese men of a revolutionary new technique of cheese processing developed by the Department of Agriculture's Bureau of Dairy Industry. The new technique cuts the time required for making batches of cheddar cheese from 7½ hours to less than 3½ hours. This means, said the Under-Secretary, that "factories can make two runs a day instead of the normal one." In view of the fact that the government had already committed itself to purchase cheddar at the wholesale parity price of 37¢ a pound, a price so high that the government was taking title to a million pounds a day, the new technique could ultimately obligate the government to double its massive purchases. What then?

The Wall Street Journal, Sept. 2, 1953.

Thus is the basic incongruity of the over-all farm problem made clear from the cheese situation. The government is trying to travel two roads in opposite directions at the same time. On the one hand, the Department laudably attempts to boost production without increasing investment, which would lead to lower costs and hence to lower prices to consumers. For example, Department of Agriculture scientists are perfecting a breed of cows which would give 876 pounds of butterfat instead of the usual 678 pounds. A hen has been developed under Department auspices which yields 212 eggs annually instead of the average 178. But, on the other hand, the Department attempts to restrict production in order to raise farm prices. Marketing order and agreements, acreage restrictions, exist to this end. But the higher the government drives prices the greater becomes the incentive for farmers to increase their output. The government tries to expand and restrict at the same time. The result is a chaotic waste, which the government tries to pass off as a "policy."

Consider the abject waste of this intervention. The almost unbelievable stocks carried by the government is suggested by a Commodity Credit Corporation report of May 31, 1953. The report showed that about \$3.25 billion of government money was then tied up in farm inventories. A breakdown shows that of this \$3.25 billion \$1.3 billion represented loans without recourse and \$1.9 billion represented actual inventories in government-owned or leased facilities. Normal means of storage are no longer possible because of the emergency nature of the incoming flood of commodities. Caves, abandoned factories, oil tanks, schoolrooms, hangars, gymnasiums, and even the open ground are being used. A recent program found necessary is the reconditioning of hundreds of moth-balled World War II merchant vessels in the Hudson and James Rivers for grain storage. Costs for storage alone is estimated at a half million dollars a day.

How much of this questionable investment spoils or is otherwise destroyed is not known. In the case of butter, Department of Agriculture officials concede that they have been forced to re-grade substantial amounts of Grade A butter to Grade B and Grade B to Grade C. Even with vast quantities of butter being consumed by the armed forces, government hospitals, government prisons, the school lunch program, etc., the stockpile of butter, like Topsy, just grows. In April of 1953 the government inventory of butter was 125 million pounds. By July, the figure reached 178 million pounds. By September, 200 million; and in October, 278 million. The government is buying butter at the rate of greater than 1 million pounds a day. As already noted, the dairy industry finds itself host to government intervention in other ways, for example, cheddar cheese (government inventory in March, 1953, 75 million pounds; as of October, 1953, 215 million pounds) and dried milk (government inventory in March, 1953, 170 million pounds; as of October, 1953, 417 million pounds).

Government intervention is defeating itself in a number of ways. By propping up farm prices, the government reduces consumption and accelerates the search for substitutes. Certainly the great strides of oleomargarine in recent years is due in great measure to the high support price of butter. It seems evident too that price disparities between price-supported cotton and its substitutes are largely responsible for the marked decline of the per capita consumption of cotton and the rise in the use of rayon and other

synthetic fibers. In the meantime, government carryovers of cotton inventories climb year by year. One Federal Reserve economist in the South views the international implications of this situation with alarm:

"The United States support price indirectly supported world cotton prices and encouraged production abroad. Such an occurrence is one of the most exasperating features of any program for supporting the price of a world commodity. In 1953 a similar situation exists, and so exasperation will be intensified."<sup>10</sup>

The significance of the cotton carryover, he said, "is that, although our price-support level bolsters world prices, foreign nations sell below it when they see advantage in such action. . . . Exports of cotton cloth from the United States have suffered from ills brought on by these circumstances. From a peak of about 1,468,000,000 square yards in 1947, such exports have fallen to about 800,000,000 square yards."

The irony in this story is apparent. The government interventionist poses as friend and protector to the cotton grower. But the actions of the government interventionist contribute to a decline of per capita cotton consumption, the rise of the strongly competitive synthetic fiber industries, and the destruction of the farmer's overseas market. The worker in the cotton textile factory is similarly hurt. The farmer in the cotton belt is now the bewildered ward of the government. He is ready to cast his vote for the government interventionist who promises him the highest price.

Other foreign repercussions of American farm intervention exist. One aspect of our foreign policy calls for increased trade with friendly nations. Hence, the continuation of the reciprocal trade agreements and our receptivity to the slogan "trade, not aid." Foreign countries are anxious to trade not only because of opportunity to increase their dollar balance but also to take advantage of the high support farm prices of the U. S. These support prices are so high that during the potato fiasco in 1949 and 1950 Canadian potatoes added to the glut by spanning the breadth of the U. S. and out-sold American potatoes as far south as Miami and New Orleans. Now American consumers are increasingly denied the chance of buying the cheaper foreign commodities. Secretary Benson had brought about partial or complete embargoes or quota-licensing restrictions on imports of dried skim milk, cheese, flaxseed, rice, and linseed oil. Imports of butter and butter oil, peanuts and peanut oil, have already been halted by the Truman Administration. Foreign exporters are confused. Are not the Americans staunch defenders of competition? Is this "trade, not aid?"

Machinery, as a matter of fact, exists for the halting of all farm imports as the occasion arises. Section 22 of the Agricultural Adjustment Act of 1938 provides that, except in emergency circumstances, the Department of Agriculture must investigate any situation where imports of any agricultural commodity "are being or are practically certain to be imported" in such quantities as to interfere with domestic price support operations. When the Department is satisfied these conditions exist, it then makes a recommendation for appropriate action to the Tariff Commission. The Tariff Commission then conducts its own investigation before advising the President to apply restrictionist quotas on farm imports.

In the fall of 1953, for example, the groundwork for calling Sec-

tion 22 into play was prepared by Senator Langer, Republican of North Dakota. He noted that farmers in his state had been forced to plant rye, barley, and oats because of wheat acreage restrictions by the government. With the increase in planting, rye prices, not surprisingly, were falling. But another reason for the decline of rye prices was the heavy imports of Canadian rye. Roy Hendrickson of the National Federation of Grain Cooperatives told Senator Langer that "our price supports are working as a magnet for Canadian rye."

If Section 22 of the AAA does become operative and Canadian rye is stopped, some ill will is bound to be generated. Canadian retaliatory quotas on American products such as automobiles and appliances may be their answer. Again, intervention breeds intervention, and the adverse repercussions seem endless.

One of the more popular "solutions" to the farm problem of current moment is the "two-price system." The two prices in question are a high domestic support price and a low foreign sacrifice price. Were charity to begin at home, one might think the prices might be reversed. But even as it stands the low foreign price portends the danger of our magnanimity being misconstrued for "dumping." Foreign farm organizations would pressure their governments to resist what they would charge as the wrecking of their economies. Moreover, they might retaliate in kind—attempting to dump their surpluses into American markets.

Those countries which foolishly modeled their farm policies after ours find themselves in similar predicaments. Argentina has been supporting the price of her staple cotton at about 20 cents per pound higher than the U. S. price. Result? Increasingly greater cotton carryovers — just not enough takers. So with Brazilian cotton (and coffee!). So with Egyptian cotton. Recently Egypt, which closed down her Alexandria Cotton Exchange by government decree on Nov. 23, 1952, has taken over the cotton business, all losses to be financed by government loans. This is our answer to the political and economic feasibility of a "two-price system." The spectacle of governments vying with each other for limited cotton markets with their intervention-bred gluts is not conducive to a feeling of national security.

Even when governments have engaged in cartels—euphemistically called "agreements"—to attempt to liquidate their subsidized farm surpluses—their efforts have been futile. The four export nations in the International Wheat Agreement are the United States, Australia, Canada, and France. Importing countries in the Agreement include Austria, Belgium, Bolivia, Brazil, Denmark, Ireland, Israel, Italy, Sweden, South Africa, and England. To participate in the Agreement, and to bridge the gap between the high U. S. support price and the world price, the American government pays substantial subsidies to U. S. exporters. For example, from mid-1949 to mid-1952 our exporters have shipped 667 million bushels of wheat to importing members of the Agreement at a cost of \$423 millions to the taxpayers. Thus the rate of subsidy in those years ranged from 56 cents to 67 cents a bushel.

The situation is becoming worse. Two huge wheat-growing nations, not favorably disposed to the free world, were excluded from the Agreement—Argentina and Russia. Each have surpluses to dispose of. Russia has been dickering with India for a three-year agreement. England, sensing better prices elsewhere, has withdrawn from the agreement. High U. S.

<sup>10</sup> Arthur H. Kantner, "Monthly Review," Federal Reserve Bank of Atlanta, September, 1953.

support prices have induced dig down in his tax pocket to pay hook of expensive farm intervention. The tax collector. The tax money record-breaking crops here. In the hands of the government in which could have gone to support industry was siphoned off to the government. Moreover, the city consumer has to pay higher food prices. Again the added support increment in food prices reduces money available for more buying from industry. And thus does the standard of living fall. What industry gained in farm business it lost in city business. The city-farm inter-dependency is exaggerated. High national purchasing power comes from high usable productivity.

How sensitive is intervention to the tenets of democracy and minority representation, to individual enterprise and responsibility? Not very. In October of 1953 the Department of Agriculture found it necessary to tighten penalties on farmers violating wheat acreage curbs. Previously a restriction violator lost government support on only the one crop he over-produced. Now the new new order requires that the farmer lose support on all other basic crops.

Also illustrative of this failing is the nice attempt by the government to absolve itself from blame for enforcing its acreage restriction orders. For example, one New York farmer in the Genesee Valley sought permission to sow 13 additional acres of wheat on his 200 acre farm in 1950. He was told that he could have five minutes to present his case on a certain Tuesday afternoon. The informing letter further said: "Failure to appear at this hearing may be considered a waiver of your right in connection with such appeal."<sup>11</sup>

The granting or denial of an acreage allotment thus ingeniously makes use of the local county committee of farmers. The real action is of course executed by the Department of Agriculture field representative in the Federal building at the county seat. The local farmer committee neatly acts as a buffer for the farm interventionist. Farmer X's own neighbors decide the case, the government merely "advising." It is "democracy" on the march, but whither? The Monthly Economic Letter of the Northeast Farm Foundation comments on this situation: "The original idea of having local committees do the hatchet work was borrowed from Russia. It works well and helps to silence opposition."

Similar coercion was found in England under the Labor Government. Farmers were subsidized but the government dictated to the farmer what he had to plant, how the land was to be farmed, and how the crops were to be brought to market. If the farmer did not follow the detailed mandates, provision existed for the confiscation of his farm. One recalls the telling opinion of the reconstructed U. S. Supreme Court in its decision on *Wickard vs. Fillburn* in 1942: "It is hardly lack of due process for the government to regulate that which it subsidizes."

On what logic does the farm intervention rest, if any? First, there is the anti-depression argument. Charles Brannan put it succinctly when he was Secretary of Agriculture. In support of his own "Brannan Plan," he said to Congress:

"It can help prevent depression: Most depressions have been farmed and farm fed. Farm prices traditionally go down before, faster, and farther than other prices. . . . Farm people want to buy industrial goods, but when their prices go down in relation to the prices they have to pay, they have to cut their buying."

The argument is weak on several counts. The call for supports to maintain high farm prices so as to continue high farm purchasing power ignores the origin of the supports: taxes. To enable the government to prop up farm prices, the city consumer has to

support prices have induced dig down in his tax pocket to pay hook of expensive farm intervention. The President is reminded of his campaign promise of not 90% parity but "100%" parity. The Secretary is asked to resign, by high brass in the farm bloc.

The answer to the farm problem lies in neither rigid high supports—nor lower "flexible" supports (which would prove to be too arbitrary and altogether too political). Nor does the answer lie in the proposed "two-price system"—high for Americans, low for animals and foreigners. Our problem is vast over-production stemming from over-expansion and over-intervention. The solution is progressive disinvestment from agriculture. The subsidized inefficient farmers must return to the long-time trend of American population from farm to city.

Only a return to the free market, gradual to be sure, will rescue farmer and nation from the morass of intervention. Government-induced over-capacity would quickly dissipate in the absence of supports. The sub-marginal and marginal farmers will find new and better fields of endeavor. They always have. In the history of the country, farm population has contracted from 96% of the total to 16% now. The standard of living of all would rise.

Again, the farm organization charges that nowhere in the economy is competition as severe as it is for the farmers. Farm prices under the pressure of supply and demand find their own levels, and farmers have to abide by them no matter how low. The businessman, according to this argument, "administers" his price. The working man "administers" his. "Administered" prices therefore represent proof of lessened competition. How false. Administered prices obviously does not result in "administered" or certain income. True, the businessman may set his price. But if the customer does not like that price, the customer may take his business elsewhere. Similarly the working man may demand a healthy price for his services but he had to be on a payroll to get it. The competition of industry and commerce compared to agriculture is just as severe. The farmer, on the other hand, is generally sure of disposing of all of his harvest however low the price.

All the arguments supposedly justifying farm intervention culminate in the device called "parity"—the old Peek-Johnson idea of "equality." Although complicated by the Department of Agriculture's current practice of publishing an "old" parity, a "new" parity, and a "transitional" parity, parity is simply a formula by which farmers are to get their "fair" share of the national income. In elementary form, the fair share is the same proportion as existed in the base period, 1909-1914, a prosperous era for farmers. The proportion is determined by a comparison of farm costs and farm prices then and now, the Department's Bureau of Agricultural Economics doing the figuring. Yet in the light of the dynamic nature of prices, why should a particular relationship be preserved? The period 1909-1914 becomes increasingly out-of-date. It is hardly sacro-sanc. And prices, which have the job of adjusting production to consumption, are clearly prevented from doing that job.

In the meantime, the entanglement becomes worse. Surpluses pile up. The Republicans lose an important Congressional seat in Wisconsin for their failure to maintain farm income. The President lays blame upon the drought. The Secretary of Agriculture investigates the meat-packers. The Chairman of the House Agriculture Committee brazenly tells farmers "we don't intend to do away with present farm programs unless we get something better."<sup>12</sup> Deficits plague the new Administration but it can't get off the

(Special to THE FINANCIAL CHRONICLE)  
SAN FRANCISCO, Calif.—Kimball S. Palm is now connected with Brush, Slocumb & Co., Inc., 1 Montgomery Street, members of the San Francisco Stock Exchange.

## Two With First California

(Special to THE FINANCIAL CHRONICLE)  
SAN FRANCISCO, Calif.—Wilbur E. Figara and Martha R. O'Brien are now affiliated with First California Company, 300 Montgomery Street.

## With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)  
SAN FRANCISCO, Calif.—Daniel J. Flanagan, Jr. is now with Mutual Fund Associates, 444 Montgomery Street.

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## As We See It

nation's finances. Precisely that appears to be the aim of a few influentially placed members of the Republican party. It is all very well for them to talk about forcing reductions in expenditures by cutting off revenues, but such an argument in present circumstances is hardly convincing. Much the same is to be said of the constantly reiterated statement that the Republican party promised major tax relief, and must now not defer providing it—regardless of consequences. It would, of course, be difficult to say precisely what was promised during the election campaigns last year. As always there were many and often inconsistent assurances given.

### Cuts in Expenditures

It would plainly be fair to say that promises of major reductions in expenditures were made. No one would, we believe, quarrel with an assertion to the effect that the public was given to understand that such savings would be used to reduce the burden of taxation which had grown so horribly heavy over the years. If the Republican party had, in addition, assured the public that it would proceed at once to reduce taxes right and left—and then worry about, or not worry about, the deficit, we, for our part do not believe it would have attracted nearly so many voters as was actually the case. Moreover, such a course would be manifestly inconsistent with a great many things that the party's standard bearer repeatedly said during last year's campaigning. Now, it seems to us that the Administration to date has done fairly well in the matter of cutting outlays by the Federal Government. It also seems to us that it must do much more of the same sort of thing before it can claim to have met the full hopes of many of its supporters. But to us it is crystal clear that reduction in outlays must first lay the foundation for greatly reduced tax collections.

Again, surrender to the farm lobby would certainly not lead us to feel more enthusiastic about supporting the party next year. Not only would further billions to the embattled farmer get decidedly in the way of reduced expenditures and thus of the tax relief about which some members of the party have become almost hysterical, but such outlays would also contribute further in important degree to the growth of a basically unsound agrarian situation, which already is one of the major weaknesses in our present day economy. If we are ever to realize anything approaching our full economic potential in this country, the farmer must be permitted—nay, obliged—to stand on his own feet. It seems to us that this is at least as good a time as any to make a start in this direction.

Then there are those who say that to be saved the Republican party must make peace with organized labor. Maybe so, but if the price it must pay for peace is as high as organized labor apparently demands, no medals for statesmanship are to be earned by any such course. And if we may venture at least upon the fringe of things political, we observe that if the political record of Senator Taft in Ohio (Senator Taft who was the *bete noire* of the elements in organized labor now most noisy in their denunciation of the Eisenhower regime) may be taken as any guide, or for that matter the triumph of President Eisenhower himself last year, surrender to the organization leaders of the various unions is by no means essential to political success.

### Key to Victory

We believe that the Administration and the Republican party can win the approval of the electorate next year by steadily and rigorously pushing ahead with the task of returning us and our affairs to well known and long cherished American traditions. To that task we hope they will dedicate themselves with renewed determination during the next year.

# Indications of Current Business Activity

	Latest Week	Previous Week	Month Ago	Year Ago		Latest Month	Previous Month	Year Ago
<b>AMERICAN IRON AND STEEL INSTITUTE:</b>								
Indicated steel operations (percent of capacity).....	Nov. 15	92.8	*93.0	96.3	106.6			
Equivalent to—								
Steel ingots and castings (net tons).....	Nov. 15	\$2,092,000	*\$2,096,000	2,172,000	2,215,000			
<b>AMERICAN PETROLEUM INSTITUTE:</b>								
Crude oil and condensate output—daily average (bbls. of 42 gallons each).....	Oct. 31	6,027,800	*6,224,350	6,442,700	6,549,050			
Crude runs to stills—daily average (bbls.).....	Oct. 31	6,867,000	6,830,000	6,893,000	6,892,000			
Gasoline output (bbls.).....	Oct. 31	23,713,000	23,615,000	24,045,000	23,687,000			
Kerosene output (bbls.).....	Oct. 31	2,721,000	2,277,000	2,553,000	2,587,000			
Distillate fuel oil output (bbls.).....	Oct. 31	10,173,000	9,900,000	10,312,000	9,907,000			
Residual fuel oil output (bbls.).....	Oct. 31	7,991,000	8,163,000	8,249,000	8,525,000			
Stocks at refineries, bulk terminals, in transit, in pipe lines—								
Finished and unfinished gasoline (bbls.) at.....	Oct. 31	143,368,000	142,666,000	143,111,000	120,563,000			
Kerosene (bbls.) at.....	Oct. 31	37,963,000	37,394,000	37,260,000	33,760,000			
Distillate fuel oil (bbls.) at.....	Oct. 31	134,631,000	132,767,000	127,052,000	120,267,000			
Residual fuel oil (bbls.) at.....	Oct. 31	51,558,000	52,633,000	51,912,000	53,292,000			
<b>ASSOCIATION OF AMERICAN RAILROADS:</b>								
Revenue freight loaded (number of cars).....	Oct. 31	780,863	804,413	812,554	862,116			
Revenue freight received from connections (no. of cars).....	Oct. 31	654,731	665,931	672,846	663,358			
<b>CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:</b>								
Total U. S. construction.....	Nov. 5	\$152,799,000	\$258,366,000	\$170,023,000	\$195,442,000			
Private construction.....	Nov. 5	88,529,000	262,008,000	84,188,000	120,681,000			
Public construction.....	Nov. 5	64,261,000	96,358,000	85,840,000	74,761,000			
State and municipal.....	Nov. 5	56,008,000	87,888,000	71,446,000	57,272,000			
Federal.....	Nov. 5	8,253,000	8,470,000	14,394,000	17,439,000			
<b>COAL OUTPUT (U. S. BUREAU OF MINES):</b>								
Bituminous coal and lignite (tons).....	Oct. 31	9,120,000	9,275,000	9,230,000	9,265,000			
Pennsylvania anthracite (tons).....	Oct. 31	604,000	682,000	678,000	862,000			
Beehive coke (tons).....	Oct. 31	82,800	83,900	89,300	63,600			
<b>DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100</b>	Oct. 31	113	113	112	115			
<b>EDISON ELECTRIC INSTITUTE:</b>								
Electric output (in 000 kwh.).....	Nov. 7	8,397,523	8,361,593	8,307,309	7,806,795			
<b>FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN &amp; BRADSTREET, INC.</b>								
Nov. 5	207	218	186	143				
<b>IRON AGE COMPOSITE PRICES:</b>								
Finished steel (per lb.).....	Nov. 3	4.634c	4.634c	4.634c	4.376c			
Pig iron (per gross ton).....	Nov. 3	\$56.59	\$56.59	\$56.59	\$55.26			
Scrap steel (per gross ton).....	Nov. 3	\$35.33	\$34.17	\$31.33	\$42.00			
<b>METAL PRICES (E. &amp; M. J. QUOTATIONS):</b>								
Electrolytic copper—								
Domestic refinery at.....	Nov. 4	29.700c	29.700c	29.650c	24.200c			
Export refinery at.....	Nov. 4	28.850c	28.875c	28.225c	34.675c			
Straits tin (New York) at.....	Nov. 4	81.750c	81.000c	82.250c	121.125c			
Lead (New York) at.....	Nov. 4	13.500c	13.500c	13.500c	13.625c			
Lead (St. Louis) at.....	Nov. 4	13.300c	13.300c	13.300c	13.425c			
Zinc (East St. Louis) at.....	Nov. 4	10.000c	10.000c	10.000c	12.500c			
<b>MOODY'S BOND PRICES DAILY AVERAGES:</b>								
U. S. Government Bonds.....	Nov. 10	95.40	95.61	95.38	97.26			
Average corporate.....	Nov. 10	106.39	106.04	104.83	109.24			
Aaa.....	Nov. 10	111.44	111.07	109.79	113.31			
Aa.....	Nov. 10	108.52	108.34	106.74	112.00			
A.....	Nov. 10	106.04	105.86	104.31	108.70			
Baa.....	Nov. 10	100.00	99.52	98.73	103.47			
Railroad Group.....	Nov. 10	104.31	103.97	102.80	106.39			
Public Utilities Group.....	Nov. 10	106.39	106.04	104.66	109.42			
Industrials Group.....	Nov. 10	108.52	107.98	106.92	112.19			
<b>MOODY'S BOND YIELD DAILY AVERAGES:</b>								
U. S. Government Bonds.....	Nov. 10	2.84	2.81	2.82	2.69			
Average corporate.....	Nov. 10	3.37	3.39	3.46	3.21			
Aaa.....	Nov. 10	3.09	3.11	3.18	2.99			
Aa.....	Nov. 10	3.25	3.26	3.35	3.06			
A.....	Nov. 10	3.39	3.40	3.49	3.24			
Baa.....	Nov. 10	3.75	3.78	3.83	3.54			
Railroad Group.....	Nov. 10	3.49	3.51	3.58	3.37			
Public Utilities Group.....	Nov. 10	3.37	3.39	3.47	3.20			
Industrials Group.....	Nov. 10	3.25	3.28	3.34	3.05			
<b>MOODY'S COMMODITY INDEX:</b>								
Nov. 10	394.3	394.0	390.6	407.1				
<b>NATIONAL PAPERBOARD ASSOCIATION:</b>								
Orders received (tons).....	Oct. 31	227,040	213,773	371,431	226,485			
Production (tons).....	Oct. 31	257,169	262,973	259,699	244,854			
Percentage of activity.....	Oct. 31	96	97	98	97			
Unfilled orders (tons) at end of period.....	Oct. 31	423,728	463,706	590,808	452,959			
<b>Oil, Paint and Drug Reporter Price Index—1949 AVERAGE = 100</b>	Nov. 6	105.93	105.92	105.70	109.86			
<b>STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:</b>								
Odd-lot sales by dealers (customers' purchases).....								
Number of orders.....	Oct. 24	23,472	19,206	21,815	25,139			
Number of shares.....	Oct. 24	657,320	564,675	623,419	694,152			
Dollar value.....	Oct. 24	\$29,262,676	\$24,127,498	\$25,418,527	\$30,480,614			
Odd-lot purchases by dealers (customers' sales).....								
Number of orders—Customers' total sales.....	Oct. 24	22,299	18,247	18,578	20,797			
Customers' short sales.....	Oct. 24	218	183	288	124			
Customers' other sales.....	Oct. 24	22,081	18,064	18,290	20,673			
Number of shares—Total sales.....	Oct. 24	625,446	521,120	534,203	594,255			
Customers' short sales.....	Oct. 24	7,566	5,896	10,686	4,281			
Customers' other sales.....	Oct. 24	617,880	515,224	523,517	589,974			
Dollar value.....	Oct. 17	\$23,996,330	\$20,106,330	\$20,078,962	\$23,838,174			
Round-lot sales by dealers—								
Number of shares—Total sales.....	Oct. 24	205,900	153,190	146,830	170,310			
Short sales.....	Oct. 24	205,900	153,190	146,830	170,310			
Other sales.....	Oct. 24	205,900	153,190	146,830	170,310			
Round-lot purchases by dealers—								
Number of shares.....	Oct. 24	235,930	226					

Continued from page 3

## Outlook for 1954 Auto Production

Against this background of fact I think the automobile industry will build and sell in the neighborhood of 5 million passenger cars in the year 1954—perhaps several hundred thousand more than 5 million. If we build and sell this number of cars in 1954, it will be the fourth time in history that we will have reached this annual total. And that will mean a good business year for the industry—very good indeed.

### More Competition in Auto Industry

Whatever the exact level of automobile production may be next year and the next few years, of one thing we are sure. There is going to be competition for the favor of the automobile buyer—competition the like of which this country hasn't seen for nearly a decade and a half. The results of this competition—I can assure you—are going to be exciting. I can't speak for other manufacturers, but I do know about the plans of Chrysler Corporation.

You probably noticed a few weeks back that Chrysler Corp. and the Briggs Manufacturing Co. have agreed to the purchase by Chrysler of the principal plants, machinery and equipment of Briggs for the price of \$35 million. As you know, Briggs has been supplying us with all the bodies for our Plymouths.

This purchase is an indication of the way we feel about the future. We have extensive plans, and we want to be fully equipped to carry them out.

Now facts of the kind I have been giving you are a solid foundation for optimism about the future of the automobile market.

But there are also many other reasons. The big, overwhelming reason for optimism is that the whole economy is at the beginning of a great era of growth, not at the end. We have only begun to explore the possibilities of the good life in America in this century of progress. We have been growing fast, but our growth has only multiplied our needs and our opportunities.

Economic progress, once it gets rolling, never finds a place to park and rest. You know—from your experience in building a new Pittsburgh—how progress brings its rewards in bigger responsibilities and bigger tasks. You build a magnificent new airport; you clear 59 acres of commercial slums; you attract investment capital to build great new office buildings; you construct five-story underground parking garages; you build gleaming new skyscrapers expressing the spirit of the new Pittsburgh in steel, aluminum, and glass; you bring traffic from the Pennsylvania Turnpike into the heart of the city on a new expressway—and then where are you? At the beginning, not the end, of a big job. Progress is endless. Every step in advance brings a community within sight of new goals, new demands that must be met.

I believe that the whole great American community is becoming aware of the tremendous new tasks, problems, and opportunities that have been generated by the progress of the past few decades. We Americans have been busy meeting a long series of great emergencies, filling a number of extraordinary demands on our energies and resources.

### The Outlook for the Economy

We have been too busy, perhaps, to think ahead sufficiently to the kind of America we could build if we had the chance to turn our minds and hands and machines to the single task of building it. Now and then I hear someone asking in a half-way despondent tone of voice what will happen to the

from the business and professional opportunities and enjoy all the conveniences and the infinite variety of products and activities to be found in a big city. It is our way of having our cake and eating it too.

This explosion is the kind we like in America. It is part of the perpetual revolution that goes on day after day in our way of life. After centuries of debate among very serious people about the respective merits of the metropolis and the country, we have ended the debate by creating a new kind of living, the like of which the world has never seen. We went about creating this new pattern of living without giving it a great deal of thought, and all of a sudden we had it with us. The result is that we have created along with our new kind of living a whole series of new problems.

Take for instance the problems of the suburbs. Many metropolitan areas, for instance, are years behind in building the ever-expanding spiderweb of water and sewer mains to serve the suburbs. The problem of building and staffing adequate schools in the suburbs is a coast-to-coast headache—and it will get worse. Roads, streets and sidewalks, playgrounds and swimming pools and community centers—these and many other needs must be met. And meeting these needs is not just a matter of drawing blueprints, assessing taxes, and finding contractors. It often involves tough decisions on planning and zoning, decisions on what should be built first and how a community's project should be financed. These are problems for alert and active citizens to solve through study, discussion and cooperative action. This is the kind of activity that can provide a satisfaction to every individual American who wants to take a hand personally in building a great new civilization.

In the excitement we all share in seeing our cities expand in great arcs into the surrounding countryside, we have not forgotten the health of the central city. It is the city, after all, that gives the suburb a reason for being. One of the most exciting developments of recent years is the rediscovery of the value of the central city. People are finding out that no matter how many supermarkets and shops they have in the suburbs, or how enthusiastic a suburban community may be in supporting cultural activities, there is no substitute for the great variety of stores, the medical clinics, the wide range of professional and business services, the metropolitan libraries, the symphony orchestras, the museums and the theatres of a large city. People are also beginning to realize that these advantages cannot be preserved automatically. The continued health and prosperity of any great city requires constant attention and care—and once in a while a major operation. You people of Pittsburgh have shown the nation how to go about giving a city this kind of care. You have worked systematically to bring about a balanced growth—by building parking facilities to receive the traffic generated by your expressways, by encouraging private capital to do as much of the job as possible, and by giving due attention to cultural and recreational needs.

### Expansion of Suburban Areas

There is another fact about the growth of our population that points to new needs. While the population of the United States has increased by 16 million since 1947, the residents of the suburban areas and of the small towns within commuting distance of big cities have increased by 17 million. In other words, Suburbia is growing faster than America.

Our cities have exploded into the countryside. Pittsburgh is a good example. The population of Allegheny County is twice the size, and the metropolitan district three times the size, of Pittsburgh proper. This pattern is being repeated throughout the country. It does not mean the death of the city. Far from it. It means that we in America have found a way to live in the open countryside or in a small town and also profit

### The Need of Adequate Transportation

Nothing is more important in bringing about the balanced, healthy growth of a city and its suburbs than adequate transportation.

Before this audience it is unnecessary for me to dwell at length on this point. You have recognized the need for expressways as the most logical means of providing rapid communication between suburb and city in this age of the automobile. The expressways built or under construction in Pittsburgh, Los Angeles and Detroit, to mention only three striking examples, are among the most fascinating structures of our time. For all of us they hold out a thrilling promise of better and safer city living. And for you in Pittsburgh and for us in Detroit they also mean excellent business prospects for the things we produce. Building expressways is only part of the great task of road building that lies before us. The nation's highway system is sadly out of date. Bringing it up to date—making it kind of world we want!

reasonably safe and efficient—is a task that will take us another 15 years at least to accomplish, if we build at the rate of a \$6 billion dollar annual expenditure.

I have mentioned a few of the great jobs that lie ahead. They are a few reasons for being sure that the domestic economy will be well occupied for a long time to come.

We know that the road ahead is full of hard work—we know that the jobs we get done will only point the way to many others still to do. Progress produces needs; and needs bring invention; and invention always means change and adjustment. Our way of life means creation of the new—and it means replacement of the old.

What we have today is a promise of a better tomorrow. And that better tomorrow in turn will provide new problems—new challenges—new opportunities. This is our way. This is our world. And, being free Americans, it is the only

## Public Utility Securities

By OWEN ELY

### Mountain Fuel Supply Company

Mountain Fuel Supply Company is an integrated natural gas company with annual revenues of about \$14 million, of which about \$1 million is derived from the sale of oil. The company produces, purchases and distributes natural gas at retail. It brings gas by pipeline from the producing fields in southwestern Wyoming, northwestern Colorado and northeastern Utah, and distributes it to consumers in Utah and Wyoming. The area served in Utah includes Salt Lake City, Ogden, Provo and 30 other municipalities, having an aggregate population of some 425,000. The company serves about 94,000 residential and small commercial customers, 500 industrial consumers on a firm load basis, and 14 on an interruptible basis. The business in Wyoming is only about 2% of the total.

In the 12 months ended June 30, 1953 total sales approximated 38 billion CF, about 47% being interruptible industrial business; about four-fifths of the latter sales were to Kennecott and American Smelting. While the company has expanded its operations rapidly, some restrictions on sales have proved necessary. An additional supply of 58 million CF of gas per day from the Utah Natural Gas Company (an increase of about 37% over recent average output) was scheduled to become available about Nov. 1. This should permit the company in 1954 to connect many new residential and commercial space-heating customers to its system, and also to increase its industrial business.

Of the total gas obtained in the 12 months ended June 30, 70% was produced by the company and 23% purchased at relatively low cost from other producers. However, the new gas supply to be obtained from Utah Natural Gas Company will cost 21 1/2¢ per mcf at the delivery point near Provo, and it is expected that gas purchased from other sources (at lower prices) will increase in cost about 20%. The company intends to seek an increase in rates to offset any increased gas supply cost which may result from increased field prices and from the purchase of the new gas supply. Further details on the gas supply are obtainable from the recent Prospectus on the sale of 303,080 shares of capital stock, and from the printed address made by President W. T. Nightingale before the New York Society of Security Analysts on Nov. 4.

With the new supply of 58 million cu. ft. a day becoming available from Utah Natural Gas Company and the Clear Creek Field in central Utah, 55% of the gas distributed will still be from the company's own production, 18% from field purchases and 27% from new pipeline purchases. The company's developed and controlled gas reserves now approximate 1.2 trillion cu. ft., which is more than a 20-year supply at the estimated 1954 rate of withdrawal.

The company is optimistic regarding the possibilities of further expanding its gas sales. In his talk, President Nightingale said: "First of all, gas service can be extended into more distant suburban areas not now served. In this area there is a strong natural growth in population and homes. Additional large industrial firms, not served at present, or new firms which are moving into our area, also provide an excellent potential market. In the large interruptible industrial class of customers, the gas-marketing field still has a very large potential market. At present, the Salt Lake area is also being surveyed by chemical companies interested in using natural gas as base material for industrial chemicals.

The company's earnings and dividend record have been as follows:

	Gross Gas Revenues	Net Income Per Share	Cash Dividends Paid per Share
1943	\$4,870,657	\$.71	\$.45
1944	5,514,436	.75	.50
1945	5,765,679	.75	.55
1946	5,644,654	.86	.55
1947	7,002,081	.94	.60
1948	7,196,301	.91	.60
1949	8,312,790	.91	.60
1950	8,954,016	.99	.60
1951	10,974,675	1.15	.70
1952	13,228,415	1.24	.80

The company expects to earn at least \$1.32 this year and is currently paying dividends at an annual rate of \$1. The stock is selling over-the-counter around 20-21.

# Securities Now in Registration

★ INDICATES ADDITIONS  
SINCE PREVIOUS ISSUE  
● ITEMS REVISED

**★ Adams Properties, Inc., Washington, D. C.**  
Nov. 4 (letter of notification) \$50,000 of 8% promissory notes, payable on demand. **Price**—At par (in denominations of \$5 to \$5,000). **Proceeds**—To purchase secured deed of trust notes for investment. **Office**—1604 K Street N.W., Washington 6, D. C. **Underwriter**—None.

**Air-Springs, Inc., New York**  
Oct. 30 (letter of notification) 9,000 shares of common stock (par 10 cents). **Price**—At market (for an aggregate price not to exceed \$50,000). **Proceeds**—To four selling stockholders. **Office**—63 Wall St., New York, N. Y. **Underwriter**—d'Avigdor Co., New York.

**Amalgamated Growth Industries, Inc.**  
Sept. 28 (letter of notification) 149,999 shares of common stock (par 10 cents). **Price**—\$2 per share. **Proceeds**—For acquisition of patents, etc., and for new equipment and working capital. **Office**—11 West 42nd St., New York City. **Underwriter**—R. A. Keppler & Co., Inc., New York, N. Y.

**★ American Diamond Mining Corp.**  
Nov. 6 (letter of notification) 260,000 shares of common stock (par \$1). **Price**—\$1.15 per share. **Proceeds**—To explore and develop the Murfreesboro, Pike County, Ark., property and for general corporate purposes. **Office**—99 Wall St., New York 5, N. Y. **Underwriter**—Samuel W. Gordon & Co., Inc., New York, N. Y.

**● American Fidelity & Casualty Co., Inc. (11/24-25)**  
Nov. 3 filed 150,000 shares of convertible preferred stock (par \$5) to be offered for subscription by common stockholders of record about Nov. 24 on a share-for-share basis; with rights to expire on or about Dec. 10. Certain stockholders have waived their rights to purchase 30,000 of new shares. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Geyer & Co., New York.

**American-Israeli Cattle Corp., Beverly Hills, Cal.**  
Aug. 24 filed 100,000 shares of class A common stock. **Price**—At par (\$10 per share). **Proceeds**—To establish and develop a cattle industry in Israel. **Underwriter**—None.

**● American Telephone & Telegraph Co.**  
Oct. 14 filed \$602,543,700 of 12-year 3 3/4% convertible debentures, due Dec. 10, 1965, being offered for subscription by stockholders of record Oct. 30 in the ratio of \$100 of debentures for each seven shares of stock held; rights to expire on Dec. 10. Rights will be mailed on Nov. 5. Conversion price beginning Feb. 9, 1954 is \$136 per share of capital stock. **Price**—At par (flat), \$100 for each \$100 principal amount. **Proceeds**—For advances to subsidiary and associated companies, etc. **Underwriter**—None.

**Anacon Lead Mines, Ltd., Toronto, Canada**  
Sept. 28 filed 700,000 shares of common stock (par 20 cents—Canadian funds) to be offered for subscription by common stockholders at the rate of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—To develop mining properties. **Underwriter**—None. Financing proposal has not been dropped.

**Anchor Post Products, Inc.**  
Sept. 30 (letter of notification) 32,953 shares of common stock (par \$2) being offered for subscription by common stockholders of record Oct. 20 at the rate of one new share for each nine shares held; rights to expire on Nov. 16. **Price**—\$7.50 per share. **Proceeds**—For working capital. **Office**—6500 Eastern Avenue, Baltimore, Md. **Underwriter**—None.

**Arizona Public Service Co. (11/24)**  
Nov. 4 filed 240,000 shares of common stock (par \$5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc.

**Armstrong Rubber Co.**  
March 31 filed \$4,000,000 of 5% convertible subordinated debentures due May 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Manufacturer of tires and tubes. **Underwriter**—Reynolds & Co., New York. **Offering**—Postponed.

**★ Bassons Industries Corp., N. Y.**  
Nov. 6 (letter of notification) 60,000 shares of Class A participating preferred stock (par \$5) and 60,000 shares of Class B common stock (par \$1) in units of one share of each class of stock. **Price**—\$5 per unit. **Proceeds**—For working capital. **Business**—Plastic molders and fabri-

cators. **Office**—1432 West Farms Road, Bronx, N. Y. **Underwriter**—Carter Manning, 51 East 42nd St., New York 17, N. Y.

**★ Birmingham & Prosser Co., Chicago, Ill.**  
Nov. 5 (letter of notification) 17,320 shares of common stock (par \$2), to be offered for subscription by certain employees. **Price**—\$15 per share. **Underwriter**—None.

**● Bridgeport Brass Co. (11/17)**  
Oct. 28 filed 238,628 shares of common stock (par \$5) to be offered for subscription by common stockholders of record on Nov. 17 on the basis of one new share for each four shares held; rights to expire on Dec. 2. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Hornblower & Weeks and Stone & Webster Securities Corp., both of New York.

**★ Bryant Air Conditioning Corp.**  
Nov. 9 (letter of notification) 7,500 shares of common stock (par \$1). **Price**—At market (about \$4 per share). **Proceeds**—For working capital. **Office**—35 East Poplar St., Philadelphia 29, Pa. **Underwriter**—None.

**Burton Picture Productions, Inc.**  
Sept. 24 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—\$1 per share. **Proceeds**—For production of movies and TV stories. **Office**—246 Fifth Avenue, New York. **Underwriter**—Alexander Reid & Co., Newark, N. J.

**★ Cable Link Corp., Detroit, Mich.**  
Nov. 4 (letter of notification) 100,000 shares of class A stock (par \$1). **Price**—\$3 per share. **Proceeds**—For working capital. **Office**—19413 Derby Ave., Detroit, Mich. **Underwriter**—Gearhart & Otis, Inc., New York.

**★ California Central Airlines, Inc.**  
Nov. 5 filed \$600,000 of 7% convertible equipment trust certificates, series A, and 890,000 shares of common stock

(par 50 cents), of which the certificates and 400,000 shares of the stock are to be offered publicly; 300,000 shares are to be sold to the underwriter (including 50,000 shares to one James Wooten), 70,000 shares to Sig Shore, 70,000 shares to Fred Miller and 50,000 shares to James Wooten. **Price**—To public—100% for certificates and 75 cents per share for the stock. **Proceeds**—To finance the acquisition of four Martinliners and one Douglas DC-3 aircraft from Airline Transport Carriers, Inc. **Underwriter**—Gearhart & Otis, Inc., New York.

**★ California Fund, Inc., Los Angeles, Calif.**  
Nov. 5 filed 400,000 shares of capital stock (par \$1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

**California Water Service Co. (11/17)**  
Oct. 22 filed 80,000 shares of cumulative convertible preferred stock, series H (par \$25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan and for new construction. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

**Capital Uranium Co., Farmington, N. M.**  
Oct. 28 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration, drilling and development of mining claims. **Underwriter**—Forbes & Co., Denver, Colo.

**Carolina Telephone & Telegraph Co.**  
Aug. 17 filed 33,320 shares of capital stock to be offered for subscription by stockholders in the ratio of one new share for each five shares held. **Price**—At par (\$100 per share). **Proceeds**—To reduce short-term notes. **Underwriter**—None. **Offering**—Temporarily postponed.

**● Central Illinois Electric & Gas Co. (11/20)**  
Oct. 30 filed 70,400 shares of common stock (par \$15) to be offered for subscription by common stockholders at

## NEW ISSUE CALENDAR

### November 13 (Friday)

Dixie Cup Co. Preferred  
(Glore, Forgan & Co. and Hornblower & Weeks) \$7,623,250

### November 16 (Monday)

Manheim Water Co. Bonds  
(Offering by company—no underwriting) \$125,000

Nylok Corp. Notes  
(Offering to stockholders, without underwriting) \$125,000

### November 17 (Tuesday)

Bridgeport Brass Co. Common  
(Offering to stockholders—underwritten by Hornblower & Weeks and Stone & Webster Securities Corp.) 238,628 shares

California Water Service Co. Preferred  
(Dean Witter & Co.) \$2,000,000

Columbus & Southern Ohio Electric Co. Common  
(Dillon, Read & Co. Inc. and The Ohio Co.) 200,000 shares

Oklahoma-Mississippi River Products Line, Inc. Debentures & Common  
(Eastman, Dillon & Co.) \$3,000,000 debts. & 480,000 shs.

Pacific Lighting Corp. Common  
(Blyth & Co., Inc.) 800,000 shares

Pennsylvania RR. Equip. Trust Cts.  
(Bids noon EST) \$4,230,000

Petroleum Service, Inc. Debentures  
(Garrett & Co.) \$300,000

Snoose Mining Co. Common  
(E. W. McRoberts & Co.) \$250,000

Storer Broadcasting Corp. Common  
(Reynolds & Co.) 200,000 shares

### November 18 (Wednesday)

Iowa Southern Utilities Co. Common  
(The First Boston Corp.) 100,000 shares

Worcester County Electric Co. Preferred  
(Bids noon EST) \$7,500,000

### November 19 (Thursday)

Toronto (City of) Debentures  
(Harriman Ripley & Co., Inc., etc.) \$18,000,000

### November 20 (Friday)

Central Illinois Electric & Gas Co. Common  
(Offering to stockholders—Stone & Webster Securities Corp. and Allen & Co. are dealer-managers) 70,400 shares

Rochester Telephone Corp. Common  
(Offering to stockholders—underwritten by The First Boston Corp.) 156,250 shares

### November 23 (Monday)

Commercial State Bank & Trust Co. of N. Y. Com.  
(Offering to stockholders) \$495,000

Gulf States Utilities Co. Bonds  
(Bids 11 a.m. EST) \$10,000,000

Illinois Power Corp. Bonds  
(Bids noon EST) \$20,000,000

Ludman Corp. Debentures  
(Courts & Co.) \$750,000

### November 24 (Tuesday)

American Fidelity & Casualty Co. Preferred  
(Geyer & Co.) \$750,000

Arizona Public Service Co. Common  
(The First Boston Corp. and Blyth & Co., Inc.) 240,000 shares

Government Employees Corp. Debentures  
(Offering to stockholders—underwritten by Johnston, Lemon & Co. and E. R. Jones & Co.) \$500,000

Iowa Power & Light Co. Preferred  
(Smith, Barney & Co.) \$5,000,000

Maine Public Service Co. Common  
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.) 35,000 shares

Southwestern Investment Co. Debentures  
(The First Trust Co. of Lincoln, Neb.) \$700,000

### November 25 (Wednesday)

Delaware Power & Light Co. Common  
(Bids 11:30 a.m. EST) 232,520 shares

### November 27 (Friday)

Cincinnati & Suburban Bell Telephone Co. Com.  
(Offering to stockholders—no underwriting) \$15,640,600

### November 30 (Monday)

Iowa Power & Light Co. Bonds  
(Bids to be invited) \$8,500,000

### December 1 (Tuesday)

Columbus & Southern Ohio Electric Co. Bonds  
(Bids 11:30 a.m. EST) \$10,000,000

Florida Power Corp. Bonds  
(Bids to be invited) \$10,000,000

Monongahela Power Co. Bonds  
(Bids to be invited) \$10,000,000

Tennessee Gas Transmission Co. Bonds  
(Bids 11:30 a.m. EST) \$25,000,000

Virginia Electric & Power Co. Common  
(Bids 11 a.m. EST) 558,946 shares

### December 3 (Thursday)

Southern Pacific Co. Equi. Trust Cts.  
(Bids noon EST) \$5,925,000

United Rayon Manufacturing Corp. American Depository Receipts  
(Lazard Freres & Co.) 200,000 American shares

### December 7 (Monday)

Ritter Finance Co., Inc. Debentures  
(Stroud & Co., Inc.) \$1,000,000

### December 10 (Thursday)

Erie RR. Equip. Trust Cts.  
(Bids to be invited) \$5,400,000

### January 6 (Wednesday)

Consumers Power Co. Common  
(Offering to stockholders—bids to be invited) 679,436 shares

### January 11 (Monday)

Appalachian Electric Power Co. Bonds  
(Bids to be invited) \$20,000,000

### January 12 (Tuesday)

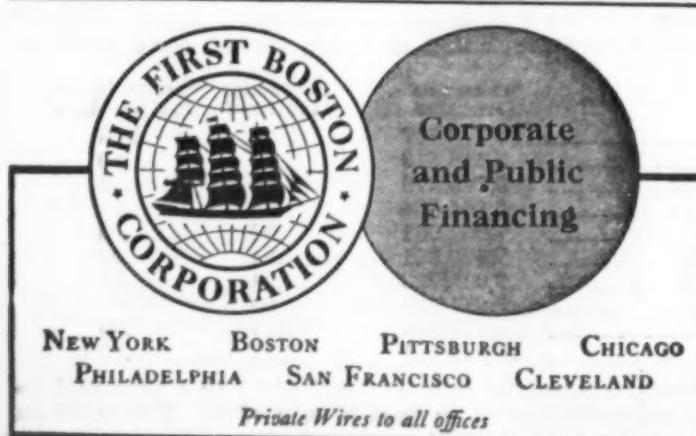
Public Service Co. of Indiana, Inc. Bonds  
(Bids to be invited) \$25,000,000

### January 13 (Wednesday)

Ohio Edison Co. Common  
(Offering to stockholders—bids to be invited) 527,830 shs.

### January 19 (Tuesday)

Ohio Edison Co. Bonds  
(Bids to be invited) \$30,000,000



rate of one new share for each 10 shares held; rights to expire Dec. 7. Subscription warrants are expected to be mailed around Nov. 20. **Price**—To be supplied by amendment. **Proceeds**—From sale of common stock and from proposed sale later in year of 15,000 shares of \$100 par cumulative preferred stock to be used to repay bank loans and to pay for new construction. **Dealer-Managers**—Stone & Webster Securities Corp., and Allen & Co., both of New York.

**Central Illinois Light Co.**

Oct. 7 filed 100,000 shares of common stock (no par), being offered for subscription by common stockholders of record Oct. 27 on the basis of one new share for each nine shares then held (with an oversubscription privilege, subject to subscription rights of employees); rights to stockholders to expire on Nov. 13 and to employees on Nov. 10. **Price**—\$36.50 per share. **Proceeds**—For repayment of bank loans and new construction. **Underwriter**—Union Securities Corp., New York.

**Century Acceptance Corp.**

Oct. 16 (letter of notification) 10,000 shares of class A common stock (par \$1) and 5,000 shares of class B stock (par \$1). **Price**—Of class A, \$2.50 per share; of class B, \$1.90 per share. **Proceeds**—To Robert F. Brozman, the selling stockholder. **Office**—1334 Oak St., Kansas City, Mo. **Underwriter**—Wahler, White & Co., Kansas City, Mo.

★**Cincinnati & Suburban Bell Telephone Co. (11/27)**  
Nov. 6 filed 312,812 shares of common stock to be offered for subscription by common stockholders of record Nov. 27. **Price**—At par (\$50 per share). **Proceeds**—To reimburse treasury for expenditures made for extensions, additions and improvements to plant. **Underwriter**—None.

**Columbus & Southern Ohio Electric Co. (11/17)**  
Oct. 27 filed 200,000 shares of common stock (par \$5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Dillon, Read & Co., Inc., New York; The Ohio Company, Columbus, Ohio.

★**Columbus & Southern Ohio Electric Co. (12/1)**  
Oct. 27 filed \$10,000,000 of first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Salomon Bros. & Hutzler; Dillon, Read & Co.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Lehman Brothers; Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EST) on Dec. 1.

**Cosmo Oil Co., Denver, Colo.**  
Oct. 7 (letter of notification) 300,000 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—For drilling expenses and working capital. **Office**—922 Equitable Bldg., Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

**Cuban American Minerals Corp., Washington, D.C.**  
Oct. 6 (letter of notification) 6,000 certificates of participation. **Price**—At par (in units of \$50 each). **Proceeds**—For general corporate purposes. **Office**—439 Wyatt Bldg., Washington, D. C. **Underwriter**—James T. De Witt & Co., Inc., Washington, D. C.

**Delaware Power & Light Co. (11/25)**  
Oct. 28 filed 232,520 shares of common stock (par \$13.50) to be offered for subscription by common stockholders of record Nov. 25 on the basis of one new share for each seven shares held; rights to expire on Dec. 15. Employees will receive rights to subscribe for up to 150 shares each. **Price**—To be named by company on Nov. 23. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and Union Securities Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Price**—May be set by directors, with bidders to name their underwriting compensation. **Bids**—To be received on Nov. 25 up to 11:30 a.m. at 600 Market St., Wilmington 99, Del.

**Dixie Cup Co., Easton, Pa. (11/13)**  
Oct. 23 filed 152,465 shares of cumulative convertible preferred stock, series A (par \$50) to be offered for subscription by common stockholders at rate of one preferred share for each five common shares held on Nov. 13; rights to expire on Nov. 30. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Glore, Forgan & Co. and Hornblower & Weeks, both of New York.

★**Dougoilco, Inc., Douglas, Wyo.**  
Oct. 27 (letter of notification) 50,000 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—To drill well. **Address**—Box 48, Douglas, Wyo. **Underwriter**—None.

★**Dunham (C. A.) Co., Chicago, Ill.**  
Oct. 27 (letter of notification) 3,529 shares of common stock (par \$2). **Price**—At market (estimated) at \$4.50 per share. **Proceeds**—To H. S. Marshall, the selling stockholder. **Underwriter**—Dempsey & Co., Chicago, Ill.

★**Dunham (C. A.) Co., Chicago, Ill.**  
Nov. 3 (letter of notification) 6,000 shares of common stock (par \$2). **Price**—At market (estimated) at \$4.50 per share. **Proceeds**—To L. F. Dwyer, the selling stockholder. **Office**—400 West Madison St., Chicago, Ill. **Underwriter**—Dempsey & Co., Chicago, Ill.

**Duquesne Light Co.**  
Aug. 19 filed 100,000 shares of preferred stock (par \$50). **Proceeds**—To reduce bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kid-

der, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers. **Bids**—Originally scheduled to be received up to 11 a.m. (EDT) on Sept. 17, but on Sept. 16 the company announced bids will be received within 30 days from that date, bidders to be advised at least three days in advance of new date. No decision reached to date.

**Eastern Industries, Inc., New Haven**

Oct. 22 filed 100,000 shares of 6% cumulative convertible preferred stock, series A. **Price**—At par (\$10 per share). **Proceeds**—To refund bonds and repay bank loans and for working capital. **Underwriter**—Blair, Rollins & Co., Inc., and Cohu & Co., both of New York. **Offering**—Expected today (Nov. 12).

★**Farm & Home Loan & Discount Co., Phoenix, Ariz.**  
Nov. 9 filed 863,230 shares of class A common stock, 858,186 shares of class B common stock and 1,000,000 shares of class C common stock. **Price**—25 cents, 35 cents and 50 cents, respectively. **Proceeds**—For working capital. **Underwriter**—None.

★**Fetner (William), Inc., Hamlet, N. C.**

Nov. 6 (letter of notification) 18,000 shares of class B common stock (par \$1) and 18,000 shares of 6% cumulative preferred stock (par \$1) to be offered in units of one share of each class of stock. **Price**—\$2.25 per unit. **Proceeds**—For working capital and machinery. **Address**—P. O. Drawer 871, Hamlet, N. C. **Underwriter**—None.

**Fischer & Porter Co., Hattboro, Pa.**

Oct. 26 (letter of notification) 17,920 participating preference shares and common shares (par \$1). **Price**—\$12.48 per share (plus in case of preference shares, accrued dividends at rate of 50 cents per share per year). **Proceeds**—For additions to plant and equipment and for working capital. **Underwriter**—None.

★**Florida Power Corp. (12/1)**

Nov. 5 filed \$10,000,000 of first mortgage bonds due 1983. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); The First Boston Corp. **Bids**—Tentatively expected to be received on Dec. 1.

★**Florida Western Oil Co., Tallahassee, Fla.**

Nov. 6 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—\$1 per share. **Proceeds**—For drilling test well. **Office**—803 N. Calhoun St., Tallahassee, Fla. **Underwriter**—Floyd D. Cerf, Jr., Co., Inc., Miami, Fla.

★**Franklin Ice Cream Co., Toledo, O.**

Nov. 2 (letter of notification) 5,000 shares of common stock (no par) and 534 shares of preferred stock (par \$100). **Price**—For common, \$30 per share for each share fully paid on or before June 30, 1954, and \$32 per share for each share not fully paid on or before June 30, 1954; for preferred, \$100 per share. **Proceeds**—To construct new plant. **Office**—5015 Monroe St., Toledo 13, Ohio. **Underwriter**—None.

**General Hydrocarbons Corp.**

Aug. 12 filed \$1,010,800 of 20-year debentures and 66,424 shares of common stock (par \$1) to be offered in units of \$350 principal amount of debentures and 23 shares of stock. **Price**—\$35 per unit (\$336 for the debentures and \$1 per share for the stock). **Proceeds**—For general corporate purposes. **Business**—Oil and gas development. **Underwriter**—None. **Office**—Oklahoma City, Okla.

★**General Precision Equipment Corp.**

Oct. 16 filed 108,167 shares of \$2.90 cumul. convertible preferred stock (no par—stated value \$50 per share), being offered for subscription to common stockholders on the basis of one new preferred stock share for each six common shares held on Nov. 6; rights to expire on Nov. 23. **Price**—\$50 per share. **Proceeds**—To repay \$3,925,000 bank loans and to increase general corporate funds. **Underwriters**—The First Boston Corp. and Tucker, Anthony & Co., both of New York.

**General Shoe Corp., Nashville, Tenn.**

Oct. 2 filed 19,465 shares of \$5 cumulative preference stock, series B (stated value \$100 per share) and 139,742 shares of common stock (par \$1) to be offered in exchange for shares of stock of Berland Shoe Stores, Inc. on the following basis: For each Berland common share 0.54253 shares of General Shoe common; and for each 4 6/11th shares of Berland preferred stock one share of series B preferred of General Shoe or for each 2.0227 shares of Berland preferred one share of General Shoe common stock. Offer, which will terminate on Dec. 7, is subject to acceptance of 80% of each class of stock.

★**Giffen Industries, Inc., Coral Gables, Fla.**

Nov. 4 (letter of notification) 62,500 shares of common stock (par \$2.50), of which 2,000 shares are to be offered to employees at \$3.40 per share. **Price**—To public \$4 per share. **Proceeds**—For general corporate purposes. **Office**—4112 Aurora St., Coral Gables, Fla. **Underwriter**—Attwill & Co., Miami Beach, Fla.

**Government Employees Corp. (11/24)**

Oct. 23 filed \$500,000 10-year 4 1/2% convertible junior subordinated debentures due Dec. 1, 1963 (convertible into common stock at the rate of \$20 per share), to be offered for subscription by common stockholders of record Nov. 17 at the rate of \$100 of debentures for each 15 shares held; rights to expire on Dec. 9. It is expected that subscription warrants will be mailed on or about Nov. 24. **Price**—At par. **Proceeds**—For working capital and to prepay \$100,000 of junior subordinated notes. **Office**—Government Employees Insurance Bldg., Wash-

ington 5, D. C. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.; and E. R. Jones & Co., Baltimore, Md.

★**Greyhound Parks of Alabama, Inc., Phoenix, Ariz.**  
Oct. 21 filed \$400,500 of 6% 10-year cumulative income debentures, due Oct. 1, 1962, and 40,050 shares of common stock (no par) to be offered in units of four debentures of \$250 principal amount each and 100 shares of stock. **Price**—\$1,100 per unit. **Proceeds**—To rehabilitate and construct racing plant in Tucson, Ariz. **Business**—Dog racing with pari-mutuel betting privileges. **Underwriter**—None.

**Guardian Chemical Corp.**

Oct. 26 (letter of notification) 42,000 shares of common stock (par 10 cents). **Price**—\$2.37 1/2 per share. **Proceeds**—For working capital. **Office**—10-15 43rd Ave., Long Island City, N. Y. **Underwriter**—Batkin & Co., New York.

**Gulf States Utilities Co. (11/23)**

Oct. 22 filed \$10,000,000 of first mortgage bonds due Dec. 1, 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Nov. 23 at office of The Hanover Bank, 70 Broadway, New York 15, N. Y.

**Gulf Sulphur Corp., North Kansas City, Mo.**

Oct. 27 filed 700,000 shares of convertible preferred and participating stock (par 10 cents). **Price**—\$10 per share. **Proceeds**—To develop company concessions. **Underwriter**—Peter Morgan & Co., New York.

★**Hawaiian Electric Co., Ltd.**

Sept. 25 filed 100,000 shares of common stock being offered for subscription by common stockholders of record Oct. 5 in ratio of one new share for each 5 1/2 shares held. Rights will expire on Nov. 20. **Price**—At par (\$20 per share). **Proceeds**—For plant expansion. **Underwriter**—None.

**Heiland Research Corp., Denver, Colo.**

Oct. 28 (letter of notification) 2,307 shares of 5 1/2% cumulative preferred stock (par \$100) and 23,070 shares of common stock (par \$1). **Price**—The preferred, at par; and the common at \$3 per share. **Proceeds**—To repay bank loans and for working capital. **Office**—130 East 5th Ave., Denver, Colo. **Underwriter**—Not named.

★**Hickey (Jess) Oil Corp., Ft. Worth, Tex.**

Nov. 6 (letter of notification) 4,000,000 shares of common stock. **Proceeds**—For acquisition of oil properties and drilling. **Office**—1301-02 W. T. Waggoner Bldg., Ft. Worth, Tex. **Underwriter**—None.

**Hydrocap Eastern, Inc., Philadelphia, Pa.**

Oct. 30 (letter of notification) 100,000 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—To pay debt and for working capital, etc. **Underwriter**—Barham & Co., Coral Gables, Fla.

●**Illinois Power Co. (11/23)**

Oct. 28 filed \$20,000,000 first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co. Inc. and Glore, Forgan & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. **Bids**—Tentatively expected to be received up to noon (EST) Nov. 23.

★**Indusco, Inc. (Del.)**

Nov. 5 (letter of notification) 550,000 shares of 5% cumulative preferred stock (par 50 cents) and 550,000 shares of common stock (par one cent) to be issued in units of one share of each class of stock. **Price**—51 cents per unit. **Proceeds**—For development and promotion, acquisition of raw materials and working capital, etc. **Office**—82 Beaver St., New York, N. Y. **Underwriter**—Prudential Securities Corp., New York.

**Ionics, Inc., Cambridge, Mass.**

June 30 filed 131,784 shares of common stock (par \$1). **Price**—To be supplied by amendment (between \$8 and \$9 per share). **Proceeds**—To pay mortgage debt and for equipment. **Business**—Research and development and subsequent commercial exploitation in the field of ion exchange chemistry. **Underwriter**—Lee Higginson Corp., New York and Boston (Mass.). **Offering**—Date indefinite.

**Iowa Power & Light Co. (11/24)**

## Continued from page 39

**Meeting**—Stockholders will vote Nov. 12 on increasing authorized common stock to 1,100,000 shares from 800,000 shares. **Underwriter**—The First Boston Corp., New York.

**Israel Enterprises, Inc., New York**

Oct. 1 filed 18,800 shares of common stock. **Price**—At par (\$100 per share). **Proceeds**—For investment in existing industrial enterprises in Israel. **Underwriter**—None.

**Jasper Oil Corp., Montreal, Quebec, Canada**

Oct. 28 filed 550,000 shares of common stock (par \$1—Canadian). **Price**—\$3 per share. **Proceeds**—For expansion and exploration and development expenses. **Underwriter**—Globe Securities Corp., Ltd., Montreal, Canada.

**Kay Jewelry Stores, Inc., Washington, D. C.**

Sept. 28 filed 672,746 shares of capital stock (par \$1) to be offered in exchange for preferred and common stocks of 71 store corporations which operate 83 retail credit jewelry stores. **Underwriter**—None.

**Kenwell Oils & Mines Ltd., Toronto, Canada**

Aug. 20 filed 500,000 shares of common stock (par \$1). **Price**—To be related to the quotation on the American Stock Exchange market. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—John R. Boland & Co., Inc., New York; Paul C. Kimball & Co. and Republic Investment Co., Inc. of Chicago, Ill.; Barrham & Co., Coral Gables, Fla.; and Frame McFadyen & Co., Toronto, Canada.

**• Koehring Co., Milwaukee, Wis.**

Oct. 22 filed 50,000 shares of common stock (par \$5). **Price**—To be supplied by amendment. **Proceeds**—Expected to net company around \$1,250,000, will be used to reimburse company for funds expended to acquire ownership of Waterous, Ltd., now known as Koehring-Waterous, Ltd., and to replace funds expended on improvements in Koehring Co.'s plants, particularly Koehring Southern Co. **Underwriter**—Loewi & Co., Milwaukee, Wis. **Offering**—Expected today (Nov. 12).

**★ Lewiston, Green & Monmouth Telephone Co., Winthrop, Me.**

Nov. 6 (letter of notification) 12,136 shares of common stock. **Price**—At par (\$10 per share). **Proceeds**—To pay indebtedness. **Underwriter**—F. S. Moseley & Co., Boston, Mass.

**• Ludman Corp., North Miami, Fla. (11/23)**

Oct. 26 filed \$750,000 of 6% sinking fund convertible debentures due Nov. 1, 1968. **Price**—At par (in units of \$100 each) and accrued interest. **Proceeds**—To repay bank loans, and for new equipment and general corporate purposes. **Underwriter**—Courts & Co., Atlanta, Ga.

**• Macabe Co., Inc., Portland, Ore.**

Aug. 27 (letter of notification) 12,500 shares of class A common stock. **Price**—\$20 per share. **Proceeds**—To pay debt to Bank of California and for working capital. **Office**—1020 S. W. Taylor St., Portland, Ore. **Underwriter**—Blyth & Co., Inc., Portland, Ore. **Offering**—Expected today (Nov. 12).

**Maine Public Service Co. (11/24)**

Nov. 2 filed 35,000 shares of common stock (par \$10) to be offered for subscription by common stockholders of record Nov. 24 at rate of one new share for each six shares held (with oversubscription privilege). Rights will expire on Dec. 8. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

**★ Manhattan Mining Corp., Reno, Nev.**

Nov. 4 (letter of notification) 100,000 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—For equipment and operating claims. **Office**—139 North Virginia St., Reno, Nev. **Underwriter**—None.

**Manheim (Pa.) Water Co. (11/16)**

Oct. 28 (letter of notification) \$125,000 of 4 3/4% first mortgage bonds, series A, dated Oct. 31, 1953, and due Oct. 31, 1978, to be offered to residents of Pennsylvania. **Price**—100% and accrued interest. **Proceeds**—For part payment of installation of a new water filtration plant. **Underwriter**—None.

**Monongahela Power Co. (12/1)**

Oct. 30 filed \$10,000,000 first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co.; Lehman Brothers, Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc. **Bids**—Tentatively expected to be received on Dec. 1.

**Nevada Tungsten Corp., Mina, Nev.**

Oct. 22 (letter of notification) 1,000,000 shares of common stock to be offered to stockholders. **Price**—Five cents per share. **Proceeds**—For working capital. **Underwriter**—None.

**★ Newport Electric Corp., Newport, R. I.**

Nov. 6 (letter of notification) 5,955 shares of common stock (par \$20) to be offered to common stockholders on basis of one new share for each ten shares held. **Proceeds**—To finance construction. **Office**—159 Thames St., Newport, R. I. **Underwriter**—Stone & Webster Securities Corp., Providence, R. I.

**North Star Oil & Uranium Corp.**

Oct. 23 (letter of notification) 600,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds**—To acquire certain mining claims, etc. and for exploration, development, drilling and working capital. **Office**—129 So. State St., Dover, Del. **Underwriter**—Lincoln Securities Corp., New York.

**Northwest Telephone Co., Redmond, Ore.**

Oct. 8 (letter of notification) 10,000 shares of common stock (par \$5), of which 6,000 shares are to be offered by the company and 4,000 shares by three selling stockholders. **Price**—\$15.75 per share. **Proceeds**—For construction. **Office**—313 Sixth St., Redmond, Ore. **Underwriters**—Camp & Co., Portland, Ore.; Wm. P. Harper & Son & Co., Seattle, Wash.; and others.

**★ Numanna Laboratories Corp., Wadsworth, Ill.**

Nov. 3 (letter of notification) 614 shares of 15% cumulative class A stock. **Price**—At par (\$100 per share). **Proceeds**—For working capital. **Underwriter**—None.

**Nylok Corp., New York (11/16)**

Oct. 30 (letter of notification) \$125,000 of 6% convertible serial notes due Jan. 1, 1964, to be offered for subscription by common stockholders at rate of \$125 of notes for each four shares of stock held as of Nov. 16; rights to expire on Dec. 16. **Price**—100% and accrued interest from Jan. 1, 1954. **Proceeds**—To reduce bank loans, purchase equipment, to explore foreign patents and for working capital. **Business**—Manufactures and sells fastening devices. **Office**—475 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

**★ Oceanic Exploration Co., San Francisco, Calif.**

Nov. 9 filed \$2,387,500 limited partnership interests to be offered in minimum amounts of \$50,000 or in any greater amounts that are multiples of \$12,500. **Business**—Oil exploration. **Proceeds**—To carry out testing, drilling, etc. **Underwriter**—None.

**Oklahoma-Mississippi River Products Line, Inc., Tulsa, Okla. (11/17)**

Oct. 26 filed \$3,000,000 of 25-year subordinated debentures due Nov. 1, 1978, and 480,000 shares of common stock (par one cent) to be offered in units of \$50 principal amount of debentures and eight shares of stock. An additional 300,000 shares of common stock will be sold to certain individuals. **Price**—To be supplied by amendment. **Proceeds**—To construct petroleum pipe line. **Underwriter**—Eastman, Dillon & Co., New York.

**Orange Community Hotel Co., Orange, Texas**

Sept. 14 filed 8,333 shares of capital stock (par \$20) and 8,333 registered 4% debentures due Jan. 1, 1984 of \$100 each to be offered in units of one share of stock and one \$100 debenture. **Price**—\$120 per unit. **Proceeds**—To construct and equip hotel building. **Underwriter**—None. (Subscriptions to 4,949 shares of stock and 4,949 debentures are held by a group of citizens of Orange formed under the auspices of the Orange Chamber of Commerce.)

**Pacific Lighting Corp. (11/17)**

Oct. 26 filed 800,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for advances to subsidiaries. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

**Perfect-Line Manufacturing Corp. (N. Y.)**

Oct. 30 (letter of notification) 170,000 shares of common stock (par 10 cents). **Price**—\$1.50 per share. **Proceeds**—For working capital. **Office**—Hicksville, N. Y. **Underwriter**—Joseph Faroll & Co., New York.

**★ Petroleum Service, Inc., Dallas, Tex. (11/17)**

Oct. 30 (letter of notification) \$300,000 of 6% convertible debentures due 1963. **Price**—At par. **Proceeds**—For working capital. **Underwriter**—Garrett & Co., Dallas, Tex.

**Plantation Farms, Inc. (N. J.)**

Oct. 26 (letter of notification) 900 shares of common stock (no par). **Price**—\$100 per share. **Proceeds**—To lease land, purchase equipment and for working capital. **Office**—42 North Main St., Pleasantville, N. J. **Underwriter**—None.

**★ Poly-Seal Corp.**

Nov. 6 (letter of notification) 1,725 shares of capital stock (par \$1). **Price**—\$11 per share. **Proceeds**—For working capital, etc. **Business**—Closures. **Office**—405 Lexington Ave., New York 17, N. Y. **Underwriter**—None.

**★ Porter-Cable Machine Co., Syracuse, N. Y.**

Nov. 9 (letter of notification) 4,600 shares of common stock (no par). **Price**—\$21.50 per share. **Proceeds**—To Geraldine R. Denison, the selling stockholder. **Underwriter**—William N. Pope, Inc., Syracuse, N. Y.

**★ Rochester Telephone Corp. 11/20**

Oct. 30 filed 156,250 shares of common stock (par \$10) to be offered for subscription by common stockholders of record Nov. 19 at rate of one new share for each four shares held; rights to expire on Dec. 7. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—The First Boston Corp., New York.

**Saint Anne's Oil Production Co.**

April 23 filed 165,000 shares of common stock (par \$1). **Price**—\$5 per share. **Proceeds**—To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Office**—Northwood, Iowa. **Underwriter**—Sills, Fairman & Harris of Chicago, Ill. Registration statement may be revised.

**★ St. Anthony Development Co., Inc., Lovelock, Nev.**

Nov. 4 (letter of notification) 100,000 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—For equipment and exploration. **Office**—Pershing County Court House, Lovelock, Nev. **Underwriter**—None.

**Silver Buckle Mining Co., Wallace, Idaho**

Oct. 29 (letter of notification) 721,065 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To develop properties. **Address**—P. O. Box 1088, Wallace, Idaho. **Underwriter**—None.

**Silver Dollar Exploration & Development Co.**

Aug. 20 (letter of notification) 1,000,000 shares of common stock. **Price**—30 cents per share. **Proceeds**—For exploration. **Office**—West 909 Sprague Ave., Spokane, Wash. **Underwriter**—Mines Financing, Inc., Spokane, Wash.

**★ Skyway Broadcasting Co., Asheville, N. C.**

Nov. 6 (letter of notification) subscription agreements for 2,000 shares of common stock. **Price**—At par (\$50 per share). **Proceeds**—For studio remodeling. **Address**—Radio Station WLOS, Battery Park Hotel, Asheville, N. C. **Underwriter**—McCarley & Co., Inc., Asheville, N. C.

**• Snoose Mining Co., Hailey, Idaho (11/17)**

Oct. 30 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For machinery and equipment. **Underwriter**—E. W. McRoberts & Co., Twin Falls, Idaho.

**• Southwestern Investment Co. (11/24)**

Nov. 4 filed \$700,000 of 5 1/2% capital debentures, series B, due Dec. 1, 1963. **Price**—92 1/2% and accrued interest. **Proceeds**—For working capital. **Office**—Amarillo, Tex. **Underwriter**—The First Trust Co. of Lincoln, Neb.

**Southwestern Investment Co., Amarillo, Tex.**

Nov. 4 filed 10,000 shares of common stock (par \$5), to be offered for subscription by employees of the company and its subsidiaries under the company's Employee Purchase Plan. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—None.

**Sta-Tex Oil Co.**

Oct. 2 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—\$1 per share. **Proceeds**—For drilling costs. **Underwriter**—Arthur R. Gilman, 20 Broad Street, New York City.

**Storer Broadcasting Corp. (11/17)**

Oct. 23 filed 200,000 shares of common stock (par \$1). **Price**—To be supplied by amendment. **Proceeds**—To certain stockholders. **Office**—Miami Beach, Fla. **Underwriter**—Reynolds & Co., New York.

**Strategic Materials Corp., Buffalo, N. Y.**

Aug. 31 filed 198,500 shares of common stock (par \$1) to be offered for subscription by common stockholders at rate of one new share for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and other indebtedness, for further exploration of properties and for additional working capital. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y., and Allen & Co., New York. W. C. Pitfield & Co., Ltd., of Montreal, Canada, has agreed to purchase 50,000 shares from the underwriters for distribution in Canada.

**★ Sylvania Electric Products, Inc.**

Nov. 5 (letter of notification) not to exceed 1,500 shares of common stock. **Price**—At market. **Proceeds**—To holders of fractional shares to be issued in connection with 10% stock distribution on Dec. 18, 1953. **Underwriter**—None.

**Tennessee Gas Transmission Co. (12/1)**

Oct. 30 filed \$25,000,000 of first mortgage pipe line bonds due Nov. 1, 1973. **Purpose**—To repay bank loans and for expansion program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Dec. 1 at office of Messrs. Cahill, Gordon, Zachry & Reindel, 63 Wall St., New York 5, N. Y.

**• Toronto (City of), Ontario, Canada (11/19)**

• **United Rayon Mfg. Corp. (Netherlands) (12/3)**  
Oct. 9 filed "A. K. U." American depositary receipts for 200,000 American shares representing 10,000 ordinary shares of A. K. U. at the rate of 20 American shares for each ordinary share of Hfl. 1,000 par value. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders, who purchased the ordinary shares from the company, the proceeds to be used by it for capital additions to plants and facilities. **Underwriter**—Lazard Freres & Co., New York.

**United States Finishing Co.**  
Sept. 23 filed 240,000 shares of common stock (no par) being offered in exchange for the 15,000 outstanding common shares of Aspinook Corp. on the basis of 16 shares of Finishing stock for each share of Aspinook stock. The offer is conditioned upon its acceptance by the holders of at least 80% of the Aspinook shares. The offer expires on Nov. 13. Statement became effective Oct. 13.

★ **United Stockmen's Investment Co., Las Vegas, Nev.**

Nov. 2 (letter of notification) 2,400 shares of class A non-cumulative preferred stock (par \$100) and 2,400 shares of class B common stock (par \$25) to be offered in units of four shares of each class of stock. **Price**—\$500 per unit. **Proceeds**—For construction of office building. **Office**—1606 Industrial Road, Las Vegas, Nev. **Underwriter**—None.

**Ute Uranium, Inc., Denver, Colo.**

Oct. 19 (letter of notification) 22,500,000 shares of common stock. **Price**—At par (1 cent per share). **Proceeds**—For mining and drilling. **Office**—602 First National Bank Bldg., Denver 2, Colo. **Underwriter**—Kamp & Co., Inc., Denver, Colo.

**Virginia Electric & Power Co. (12/1)**

Oct. 28 filed 558,946 shares of common stock (par \$10). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane, and Kidder, Peabody & Co. **Bids**—To be received up to 11 a.m. (EST) on Dec. 1 at Room 735, 11 Broad St., New York, N. Y.

**Warren Telephone Co., Warren, Ohio**

Oct. 27 (letter of notification) 3,000 shares of \$5 dividend preferred stock (no par). **Price**—\$100 per share. **Proceeds**—To discharge short-term indebtedness and for improvements and expansions to plant. **Office**—220 South Park Ave., Warren, O. **Underwriter**—None.

**Washington Water Power Co.**

May 7 filed 1,088,940 shares of \$1.28 cumulative convertible preferred stock (par \$25) and 1,088,939 shares of common stock (no par) to be issued in connection with the proposed merger into company of Puget Sound Power & Light Co. on the basis of one-half share of preferred and one-half share of common for each Puget Sound common share to holders who do not elect to receive cash at the rate of \$27 per share. **Underwriter**—None.

**West Coast Pipe Line Co., Dallas, Tex.**

Nov. 20 filed \$29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one \$50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of \$55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

**West Coast Pipe Line Co., Dallas, Tex.**

Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

**West Virginia Pulp & Paper Co.**

Sept. 28 filed 1,270,344 shares of common stock (par \$5) being offered in exchange for common stock (par \$10) of Hinde & Dauch Paper Co. on the basis of 1 1/3 shares of West Virginia Pulp stock for each Hinde & Dauch share. The offer will expire on Nov. 18. **Underwriter**—None.

**Western Empire Petroleum Co., Ogden, Utah**

Oct. 22 (letter of notification) 3,000,000 shares of common stock (par 10 cents). **Price**—5 cents per share. **Proceeds**—For additional working capital, to acquire leases, drill well, etc. **Office**—812 Eccles Bldg., Ogden, Utah. **Underwriter**—Samuel B. Franklin & Co., Los Angeles, Calif.

• **Worcester County Electric Co. (11/18)**

Oct. 12 filed 75,000 shares of cumulative preferred stock (par \$100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co., Blyth & Co., Inc. and White, Weld & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp. **Bids**—Tentatively scheduled to be received by company at its office, 441 Stuart St., Boston 16, Mass., up to noon (EST) on Nov. 18.

**Workers Loan Co., Dubois, Pa.**

Oct. 21 (letter of notification) \$200,000 of 10-year 7% subordinated debentures due Oct., 1963. **Price**—At par (in denominations of \$500 each) and accrued interest. **Proceeds**—For working capital. **Underwriter**—Blair F. Claybaugh & Co., Harrisburg and Pittsburgh, Pa.

★ **Wyoming Oil Co., Denver, Colo.**

Nov. 3 (letter of notification) 5,000,000 shares of common stock (par five cents). **Price**—5 1/2 cents per share. **Proceeds**—For drilling expenses. **Office**—301 Kittredge Bldg., Denver, Colo. **Underwriter**—Robert W. Wilson, Denver, Colo.

★ **Wyoming Oil & Exploration Co., Las Vegas, Nev.**  
Nov. 3 (letter of notification) 300,000 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—For leases and drilling expenses. **Office**—105 Friedman Bldg., 300 Fremont St., Las Vegas, Nev. **Underwriter**—None.

## Prospective Offerings

★ **American Louisiana Pipe Line Co.**

Nov. 10 company, a subsidiary of American Natural Gas Co., asked Federal Power Commission to authorize construction of a \$130,000,000 pipe line, to be financed through the issuance of \$97,500,000 of first mortgage bonds, \$12,000,000 of interim notes convertible to preferred stock at option of company, and \$20,500,000 of common stock (par \$100), the latter to be sold to parent.

★ **Appalachian Electric Power Co. (1/11)**

Nov. 10 it was announced company plans to issue and sell \$20,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received on Jan. 11.

**Atlantic City Electric Co.**

Oct. 5 B. L. England, President, announced that the company plans to issue and sell early next year about \$4,000,000 of new bonds and make an offering to stockholders on a 1-for-10 basis of sufficient common stock to raise an additional estimated \$3,000,000. **Proceeds**—For construction program. **Underwriters**—For common stock may be Union Securities Corp. and Smith, Barney & Co. Previous bond issue was placed privately.

**Atlantic Refining Co.**

March 27 it was announced that proposed debenture issue later this year will be around \$60,000,000. The exact nature and timing of the financing are still to be determined. Stockholders voted May 5 to increase the authorized debt from \$75,000,000 to \$150,000,000. **Proceeds**—To be used to help pay for a \$100,000,000 construction program for 1953. **Underwriters**—Smith, Barney & Co. may head group.

**Aztec Oil & Gas Co.**

Aug. 11 it was reported company's common stock (held by Southern Union Gas Co.) may be offered to stockholders of the parent company on a pro rata basis under a proposed divestment plan.

**Bagdad Copper Corp.**

Oct. 26 it was reported company has advised stockholders it had revised downward from \$14,000,000 to between \$7,000,000 and \$8,000,000 its needs for new financing.

★ **Baltimore & Ohio RR.**

Nov. 9 it was reported company is planning to issue and sell \$60,000,000 of collateral trust 4% bonds due serially in 1 to 16 years. **Proceeds**—Together with treasury cash, to refund \$65,000,000 collateral trust 4% bonds due 1965 held by the Reconstruction Finance Corporation.

**Blair Holdings Corp.**

June 24 it was announced company plans to issue and sell publicly \$2,000,000 of convertible debentures. **Proceeds**—For development of Stanwell Oil & Gas Ltd., newly acquired subsidiary. **Underwriters**—Blair, Rollins & Co. Inc. and The First California Co.

**Central Illinois Electric & Gas Co.**

Oct. 30 it was announced company intends to offer and sell (in addition to 70,400 shares of common stock to stockholders) an issue of 15,000 shares of cumulative preferred stock, par \$100, later this year and \$4,000,000 of first mortgage bonds about the middle of 1954. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—(1) For preferred stock—Stone & Webster Securities Corp., New York. (2) For bonds—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

**Central Maine Power Co.**

Oct. 7 it was reported company plans sale during the first quarter of 1954 of \$10,000,000 common stock after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

**Central National Bank of Cleveland**

Nov. 2 offering to stockholders of 140,625 shares of capital stock (par \$16) on basis of one new share for each four shares outstanding as of Oct. 27; rights expire on Nov. 24. **Price**—\$28 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—McDonald & Co., Cleveland, Ohio.

**Central Power & Light Co.**

March 2 it was reported company may issue and sell 50,000 shares of new preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders:

Stone & Webster Securities Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler.

**Columbia Gas System, Inc.**

April 6 it was announced company plans to issue and sell later this year \$40,000,000 of new debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ **Commercial State Bank & Trust Co. of New York (11/23)**

Nov. 6 it was announced company plans to offer to its stockholders 11,000 additional shares of capital stock (par \$25) on a 1-for-5 basis held on Nov. 23; with rights to expire on Dec. 10. **Price**—\$45 per share. **Proceeds**—To increase capital and surplus.

**Commonwealth Edison Co.**

Oct. 19 Willis Gale, Chairman, announced that if the separation of the gas and electric properties is carried out, a substantial block, perhaps \$60,000,000, of mortgage bonds constituting a lien on the gas properties would be sold to public investors by Edison as the next step in financing its \$1,100,000,000 postwar construction program. Upon transfer of the properties, Northern Illinois Gas Co., the new gas company to be formed would assume the sale obligation of the bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp.; Kuhn, Loeb & Co., Lehman Brothers and American Securities Corp. (jointly).

★ **Consolidated Edison Co. of New York, Inc.**

Nov. 10 it was reported company plans this week to apply to the New York P. S. Commission for authority to issue and sell \$35,000,000 of 30-year first and refunding mortgage bonds, series J, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Offering**—Expected early in January.

**Consumers Power Co. (1/6)**

Oct. 30 company filed an application with Michigan P. S. Commission for authority to offer 679,436 additional shares of common stock to shareholders for subscription on basis of one share for each 10 shares held as of Jan. 7, 1954; rights to expire on Jan. 22, 1954. Unsubscribed shares will be offered first to employees. **Price**—To be determined by company and announced on Jan. 4, 1954. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan, Stanley & Co.; Harriman Ripley & Co. and The First Boston Corp. (jointly); Lehman Brothers. **Bids**—To be received on Jan. 6.

**Delaware Power & Light Co.**

Oct. 5 it was announced company plans to issue and sell in 1954 about \$10,000,000 of first mortgage and collateral trust bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Union Securities Corp.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); W. C. Langley & Co.

**Detroit Edison Co.**

March 24 it was announced company plans to issue an unspecified amount of convertible debentures due 1963 (about \$55,000,000 to carry an interest rate not exceeding 4%) which may first be offered for subscription by stockholders. **Proceeds**—To retire bank loans and to meet construction costs. **Meeting**—Stockholders on April 14 authorized the new debentures. **Underwriter**—None.

**Eastern Utilities Associates**

Feb. 20 it was announced company plans sale of \$7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

• **Erie RR. (12/10)**

Oct. 2 it was reported company plans to issue and sell \$5,400,000 equipment trust certificates to be dated Jan. 15, 1954 and due annually 1955-1969, inclusive. **Bids**—Expected to be received on Dec. 10. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

**Essex County Electric Co.**

Sept. 21 it was reported company plans issuance and sale of \$4,000,000 30-year first mortgage bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

**Firth Sterling, Inc., Pittsburgh, Pa.**

Oct. 28 it was reported company plans issue and sale of \$1,600,000 6% convertible debentures. **Underwriter**—McCormick & Co., Chicago, Ill.

★ **Fruehauf Trailer Co.**

Nov. 5 it was reported early registration is planned of \$10,000,000 convertible subordinated debentures due 1973. **Underwriter**—Lehman Brothers, New York.

• **General Tire & Rubber Co.**

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of \$100 par preferred stock. There are said to be no present plans for issuing any of these shares when authorized.

**Houston Lighting & Power Co.**

Sept. 25 it was reported company plans some new financing to provide funds for its construction program. Bidders for about \$25,000,000 of bonds may include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp.; Lehman Brothers; Smith, Barney & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.

**Idaho Power Co.**

Aug. 6, officials of Blyth & Co., Inc. and Bankers Trust Co., New York, testified before the Federal Power Commission that this company plans to raise \$184,550,000 to finance construction of three hydro-electric projects on Snake River, Idaho. If approved, the financing will consist of \$105,000,000 of bonds through 1962; \$27,400,000 of preferred stock; and \$52,150,000 of common stock. Throughout the financing period, the company would borrow and repay \$29,000,000 of short-term loans. Final financing details would depend on market conditions.

**Long Island Lighting Co.**

Nov. 9 it was announced that to complete the construction program through 1955, it is estimated that the company will require approximately \$55,000,000 in addition to proceeds from the common stock offerings in October and from the sale of \$25,000,000 of bonds this week, and from funds expected to be provided by depreciation accruals and retained earnings. The nature, amounts and timing of such additional financing will depend in part on construction progress and market conditions existing from time to time.

**Maier Brewing Co., Los Angeles, Calif.**

April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. Price—\$5 per share. Proceeds—To help finance a new bottling plant. Underwriter—None.

**McBride Oil & Gas Corp., Houston, Tex.**

Nov. 8 it was announced that early registration is expected of approximately \$5,000,000 of common stock. Price—Expected to be about \$2 per share. Proceeds—For expansion program. Underwriter—Bryan & Co., Houston, Tex.

**Milwaukee Gas Light Co.**

July 7 company sought SEC approval of a bank loan of \$9,000,000 the mature Aug. 1, 1954. These borrowings, plus retained earnings, are designed to finance expansion pending formulation of permanent financing prior to maturity of notes. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co. Inc.

**Minnesota Power & Light Co.**

Aug. 3 it was announced stockholders will vote Oct. 1 on increasing the authorized common stock (no par) from 2,000,000 shares (858,047 shares outstanding) to 3,000,000 shares and on approving a 2-for-1 stock split. This will place the company in a position to proceed promptly with any new financing that may become necessary. Immediate offer not contemplated. Underwriters—May be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co.; Blyth & Co., Inc.

**Montreal (City of)**

Nov. 5 it was reported that early registration is expected of \$22,844,00 bonds due in 1 to 19 years. Underwriters—Probably Shields & Co., Savard & Hart and Halsey, Stuart & Co., Inc.

**Montreal Transportation Commission**

Nov. 5 it was reported that an issue of \$15,000,000 bonds will be offered following financing City of Montreal. Underwriter—Probably Shields & Co., New York.

**Mystic Valley Gas Co.**

Sept. 21 it was reported company plans issuance and sale of about \$6,000,000 of bonds. Underwriters—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

**Narragansett Electric Co.**

Oct. 8 company applied to Rhode Island P. U. Commission for authority to issue 150,000 shares of preferred stock (par \$50). Underwriter—Previous preferred stock offer (in 1940) was handled by The First Boston Corp. If sold through competitive bidding, probable bidders may include The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Blyth & Co., Inc. and Harriman Ripley & Co. Inc. (jointly); White, Weld & Co.; Lehman Brothers and Goldman, Sachs & Co. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly).

**New York, New Haven & Hartford RR.**

Nov. 10 it was reported company is planning issuance and sale of \$6,600,000 equipment trust cts. in the near future. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

**New York State Electric & Gas Corp.**

Feb. 27 it was reported that company may, later in 1953, issue and sell \$20,000,000 first mortgage bonds. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First

Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.

**North American Acceptance Corp.**

Oct. 15 it was reported company plans to issue and sell in January all or part of 300,000 authorized shares of preferred stock (par \$10), subject to approval of stockholders on Dec. 17. Underwriter—J. G. White & Co., New York.

**North Shore Gas Co.**

Sept. 21 it was reported that company plans issuance and sale of about \$3,000,000 bonds. Underwriters—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

**Northern Illinois Gas Co.**

See Commonwealth Edison Co. above.

**Northwest Natural Gas Co.**

March 23 it was reported that this company plans to finance its proposed 1,300-mile pipeline from Canada to the Pacific Northwest by the issuance and sale of \$66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and \$9,000,000 of 5% debentures and 1,400,000 shares of common stock at \$10 per share publicly in the United States and Canada. Underwriter—Morgan Stanley & Co., New York.

**Ohio Edison Co. (1/13)**

Oct. 22 it was reported company plans to offer for subscription by its common stockholders of record Jan. 13, on a 1-for-10 basis, 527,830 additional shares of common stock (with an oversubscription privilege). Price—Expected to be named on Jan. 11. Proceeds—For construction program. Underwriters—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and White, Weld & Co. (jointly). Bids—Expected to be received on Jan. 13.

**Ohio Edison Co. (1/19)**

Oct. 22 it was reported company tentatively plans to issue and sell an issue of \$30,000,000 first mortgage bonds due 1984. Proceeds—For repayment of bank loans and for new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). Bids—Expected to be received on or about Jan. 19.

**Ormond Corp., Albuquerque, N. M.**

March 10 it was announced company plans to register with the SEC an issue of stock, which will be offered nationally. Office—5003 Central Avenue, N. E., Albuquerque, N. M.

**Otter Tail Power Co.**

June 25 FPC authorized company to issue a maximum of \$4,000,000 unsecured promissory notes to banks, the proceeds to provide funds to temporarily finance the company's 1953 and 1954 construction programs prior to arranging for long-term financing. Underwriters—May be Glore, Forgan & Co. and Kalman & Co.

**Pacific National Bank of San Francisco (Calif.)**

Oct. 28 it was announced that company is offering stockholders of record Oct. 26 the right to subscribe for 37,400 shares of common stock (par \$20) on the basis of two new shares for each three shares held; rights to expire on Nov. 25. Price—\$25 per share. Proceeds—To increase capital and surplus. Underwriters—Elworthy & Co. and Shuman, Agnew & Co., both of San Francisco, Calif.

**Pacific Northwest Pipeline Corp.**

Jan 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is \$186,000,000, including \$2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. Underwriters—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

**Pacific Telephone & Telegraph Co.**

July 2 it was announced company plans to issue and sell to its stockholders 1,004,603 additional shares of capital stock on a 1-for-7 basis. Price—At par (100 per share). Proceeds—To repay bank loans. Underwriter—None. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific's outstanding stock. Offering—Not expected until the early part of 1954.

**Pennsylvania RR. (11/17)**

Bids will be received by the company up to noon (EST) on Nov. 17 for the purchase from it of \$4,230,000 equipment trust certificates to mature annually from March 1, 1954 to 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

**Portland General Electric Co.**

July 22, Thomas W. Delzell, Chairman, and James H. Polhemus, President, announced that financing of its 1953 construction program, which will range between \$8,700,000 and \$9,200,000, is being accomplished by means of bank loans under a credit arrangement which will mature in November, 1953. Repayment of the loans at

maturity, plus the procurement of an additional \$1,500,000 needed for the rest of the year, will be accomplished either by expansion of the credit arrangement or by the sale of first mortgage bonds. Previous bond financing was done privately through Blyth & Co., Inc.

**Public Service Co. of Colorado**

Oct. 13 it was reported company is planning to float an issue of \$15,000,000 first mortgage bonds, due 1984, early next year. Proceeds—For financing, in part, a \$17,000,000 electric generating plant to be constructed in Denver, Colo. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co., Inc. and Smith, Barney & Co. (jointly).

**★ Public Service Co. of Indiana, Inc. (1/12)**

Nov. 10 it was reported the company is planning to issue and sell \$25,000,000 first mortgage bonds, series K, due 1984. Proceeds—To repay bank loans and for new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc. Bids—Tentatively expected to be received on Jan. 12.

**★ Quebec Hydro-Electric Commission**

Nov. 5 it was reported early registration of \$50,000,000 bonds (payable in U. S. funds) is expected. Underwriter—The First Boston Corp., New York.

**Riddle Airlines, Inc., New York**

Aug. 11 it was announced company plans future public financing to secure cargo transport aircraft.

**★ Ritter Finance Co., Inc., Jenkintown, Pa. (12/7-10)**

Nov. 5 it was reported company plans to offer \$1,000,000 5½% 12-year subordinated debentures. Underwriter—Stroud & Co., Inc., Philadelphia, Pa. Offering—Expected about mid-December. Registration—Planned for between Nov. 16-20.

**Seaboard Finance Co.**

Oct. 29 it was reported company may offer publicly \$20,000,000 of debentures before the end of this year. Underwriter—Probably The First Boston Corp., New York.

**Sky Ride Helicopter Corp.**

Sept. 3 it was announced that the company contemplates issue and sale of 1,490,000 additional shares of capital stock (no par), following completion of present offering of 10,000 shares at \$2 per share. Offering—Expected in November or December. Office—1705—38th St., S. E., Washington, D. C.

**South Georgia Natural Gas Co.**

Sept. 28 it was reported that an application is pending before the Federal Power Commission for authority to build a 335-mile pipe line in Alabama, Georgia and Florida at an estimated cost of \$8,141,518. Underwriter—Shields & Co., New York.

**★ Southern Pacific Co. (12/3)**

Bids will be received up to noon (EST) on Dec. 3 for the purchase from the company of \$5,925,000 equipment trust certificates due annually on Nov. 1 from 1954 to 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co., Inc.

**Southwestern Development Co.**

See Westpan Hydrocarbon Co. below.

**Southwestern Public Service Co.**

Aug. 6 it was announced company plans to issue and sell about \$20,000,000 of securities (to consist of around \$12,000,000 bonds; from \$2,000,000 to \$3,000,000 of preferred stock; and the remainder in common stock, the latter to be offered first to stockholders on a 1-for-13 basis). Underwriter—Dillon, Read & Co., New York. Offering—Expected in January or February 1954.

**Suburban Electric Co.**

Sept. 28 it was reported company plans issuance and sale of about \$4,000,000 bonds. Underwriters—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

**West Coast Transmission Co.**

Oct. 14 it was announced that company now plans to issue \$29,000,000 in 1-to-5½-year serial notes; \$71,000,000 in 20-year, first mortgage bonds; and \$24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. Proceeds—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. Underwriter—Eastman, Dillon & Co., New York.

**Westpan Hydrocarbon Co.**

July 1 SEC granted Sinclair Oil Corp. an extension of six months from June 21, 1953, in which to dispose of its holdings of common stock in Westpan and the Southwestern Development Co. Sinclair owns 384,860 shares (52.85%) of the stock of each of the other two companies. Underwriter—May be Union Securities Corp., New York.

**Williston Basin Pipeline, Inc., Billings, Mont.**

Oct. 21, A. W. Hartwig, President, announces company plans to build a pipeline from the Billings-Laurel refining area to Glendive, Mont., to cost approximately \$7,000,000. Financing expected to be done privately. Underwriter—Dillon, Read & Co. Inc., New York.

## Our Reporter's Report

The new issue market still appears to be gripped in the throes of a period of buyer resistance with little to indicate an early break in the dike. Recent offerings have met with poor reception, sponsors for two of the larger undertakings having found it necessary to "break" the syndicate prices in order to move such issues.

Once more it appears to be a tug of war between opposing ideas of potential investors on the one side and banking interests on the other over the matter of what yields on new money should be.

Insurance companies having had a taste of new material on a 3.50% to 3.60% yield basis a few months ago, seem to be in no hurry to step up with orders for the current run of 3.25% to 3.30% yields. And as has been the case in earlier similar episodes, these institutional buyers are adamant.

Meanwhile commercial banks, apparently convinced that the demand for loans will be on a rising trend from now until the year-end, are more or less on the sidelines. They naturally would have less of an investment problem if their views on the prospective loan picture are realized.

Accordingly, at least for the near-term, it appears that investment bankers will have to look pretty much to smaller institutional outlets such as pension funds, trusts and the like for their markets.

### Treasury's Dec. 1 Task

The investment world is mulling over the Treasury's obligation between now and the month-end to provide for its maturity of \$10 billion of one-year, 2 1/2% notes.

It is doubted, in view of indications that the Treasury will have some deficit financing to do, that it will attempt to refinance the impending maturity on a long-term basis.

This is particularly so since it is calculated that the Federal Reserve and government funds among them hold some \$7 1/2 billion of the total. It is recognized

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Cashier-Assistant Trader desires to connect with small member or over-the-counter firm, to assist in developing trading in unlisted securities. Have contacts, and ap- prised of special situations. Experienced in handling of securities and brokerage office procedure. Prefer placement in city, but may relocate outside of city for compensating salary. Box W 1029, Commercial & Financial Chronicle, 25 Park Place, New York 7, N. Y.

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that any attempt at long-term refinancing would have to carry a coupon attractive to investors.

#### Gas Pipe Line Financing

While the demand for new money appears to be slowing down in some directions as far as industry is concerned, this quite evidently is not the case with the gas pipeline companies.

This week has brought forth plans by two such corporations which would call for close to \$175 million of new capital. Largest of these is American Louisiana Pipe Line Co.'s projected mid-western line estimated to cost \$130 million.

Tennessee Gas Transmission is proposing a line to bring it into the New York-Philadelphia area at a cost of \$45 million.

Continued from page 30

## Mutual Funds

land Electric, 1,900 Firestone, 6,100 Goodyear, 5,000 Pacific Gas & Electric and 4,500 R. C. A.

Sales included 3,200 Rock Island, 2,000 Chrysler, 10,100 Goodrich, 2,800 Illinois Central, 5,000 Kansas City Power & Light, 4,500 National Dairy, 9,000 North American, 12,600 Shamrock Oil and 24,000 Socony-Vacuum.

Ingersoll-Rand, Kansas Power & Light and Washington Gas Light were eliminated.

**THE SEPTEMBER 30** Quarterly Report accompanying the four cent dividend sent to Wisconsin Investment Company shareholders on Oct. 31, reported net assets of \$5,078,403 compared with \$4,941,235 a year earlier. Net assets were equivalent to \$4.01 per share.

At the end of September, cash on hand and obligations of the United States Government totaled 10.5% of the assets of the company. Shareholders increased to 3,570, the largest number in the company's history.

The Fund held 71 different securities at the end of the quarterly period. Principal changes during the quarter were as follows:

**Additions**  
Allied Chemical & Dye Corporation  
Bank of Manhattan Co.  
Eastman Kodak Co.  
Fireman's Insurance of Newark  
Jewel Tea Company  
Sperry Corporation

**Eliminations**  
Hollinger Consolidated Gold Mines, Ltd.  
United States Pipe & Foundry Company  
United States Tobacco Company

The largest holdings by industries were as follows:

Public Utilities	15.6%
Chemical & Related Industries	12.1
Banks	9.2
Finance & Insurance Companies	8.5
Foods & Beverages	8.5

**THE 15TH** quarterly report of the Value Line Fund, Inc., revealed total net assets of \$7,189,535 and a net asset value per share of \$5.75 on Sept. 30, 1953.

On that date, 41.2% of the assets were invested in common stocks and the balance in bonds and preferreds. Portfolio common stock changes in the three month period were sales of Clinton Foods, Firemen's Insurance (Newark), General Precision Equipment and Mueller Brass.

Purchases were Diamond Match, Douglas Aircraft, Dow Chemical, Grumman Aircraft, Lockheed Aircraft, Loew's, Inc., Mountain Fuel Supply, National Homes, Polaroid, Standard Packaging, Stanley Warner, U. S. Plywood and U. S. Rubber.

**THE REPORT** for the first 12 months of the Value Line Income Fund, Inc., for the period to Sept. 30, 1953 showed net assets of \$3,927,400 compared with the \$109,783 of net assets of the fund when shares were offered initially in September, 1952. The number of shareholders has increased to 2,053 with 874,221 shares outstanding.

The President reported to stockholders that 11.3% of the fund's assets were invested in securities of the building supply concerns, 10.5% in department stores, 9.9% in steel companies, 5.6% in agricultural equipment producers, 5.1% in metal fabricators, 4.9% in machine tool makers, and the balance in other manufacturing fields.

As of Oct. 30, 1953, the Fund's assets were in excess of \$4,600,000. Outstanding shares were more than 1,000,000.

**NET ASSET** value per share of de Vegh Mutual Fund, Inc. was \$34.65 on Sept. 30, 1953 compared to \$34.63 on June 30, 1953, according to a report just issued to

### DIVIDEND NOTICE

## American Investment Company of Illinois

### 92ND CONSECUTIVE DIVIDEND ON COMMON STOCK

The Board of Directors declared a regular quarterly dividend on the Common Stock of 40 cents per share, payable December 1, 1953, to stockholders of record November 16, 1953.

The Directors also declared the regular quarterly dividends on the 5 1/4 per cent Cumulative Prior Preferred Stock, the Series A \$1.25 Convertible Preference Stock and the 4 1/2 per cent Preference Stock, all payable January 1, 1954 to stockholders of record December 18, 1953.

D. L. BARNES, JR.  
Treasurer

November 2, 1953

Financing the Consumer through nation-wide subsidiaries—principally:

Public Loan Corporation  
Domestic Finance Corporation  
Loan Service Corporation  
Ohio Finance Company  
General Public Loan Corporation



stockholders by Imrie de Vegh, President.

On Sept. 30, 1952, the net asset value per share was \$34.33, and a distribution from net securities profits of \$1.41 per share was paid on April 30, 1953. Net assets have advanced to \$36.20 per share on Oct. 30, 1953. An interim dividend of 30 cents per share was paid to stockholders on Oct. 28, 1953.

**TOTAL NET** assets of de Vegh Income Fund, Inc., were \$278,192.48 on Sept. 30, 1953, compared to \$155,598.07 on the date of the Fund's inception, Feb. 2, 1953, according to a report issued today to stockholders by Imrie de Vegh, President.

The regular quarterly dividend, amounting to 10 cents per share, was paid to stockholders of record Sept. 9, 1953.

### DIVIDEND NOTICES

## Atlas Corporation

33 Pine Street, New York 5, N. Y.

### Dividend No. 48 on Common Stock

A regular quarterly dividend of 40¢ per share has been declared, payable December 21, 1953 to holders of record at the close of business on November 30, 1953 on the Common Stock of Atlas Corporation.

WALTER A. PETERSON, Treasurer  
November 5, 1953.

**THE JOHNSTON** Mutual Fund, Inc. reports net assets on Sept. 30, 1953 of \$2,224,319.99, equivalent to \$29.61 per share. This compares with \$2,189,031.07 and \$29.70 per share on June 30, 1953 and with \$1,733,554.01 and \$30.81 per share on Sept. 30, 1952.

### PERSONAL PROGRESS

ALBERT ENOS NAYLOR, prominent Canadian Businessman of Toronto, has been elected to the advisory board of Canada General Fund, it was announced this week by Henry T. Vance, President and Director of the fund.

Naylor is President and Director of several large Canadian corporations, including Traders Finance Corporation, Ltd., the Canadian General Insurance Company and the Toronto General Insurance Company. Canada General Fund is a mutual investment company investing in Canadian common stocks.

### DIVIDEND NOTICES

## The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of sixty cents per share payable on December 15, 1953 to stockholders of record at the close of business on November 17, 1953. D. H. ALEXANDER, Secretary, November 5, 1953.



## NORFOLK SOUTHERN RAILWAY COMPANY

### Common Dividend

The Board of Directors of Norfolk Southern Railway Company have declared a quarterly dividend of forty-two and one-half cents (42 1/2¢) per share on the common stock of said Company, payable on December 15, 1953, to stockholders of record at the close of business December 1, 1953.

CECIL M. SELF, President



## REYNOLDS METALS COMPANY

Reynolds Metals Building  
Richmond 19, Virginia

### COMMON DIVIDENDS

A dividend of twenty-five cents (25¢) a share on the outstanding common stock has been declared payable December 31, 1953, to holders of record at the close of business December 21, 1953.

A dividend of fifty cents (50¢) a share on the outstanding common stock has been declared payable January 5, 1954, to holders of record at the close of business December 21, 1953.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALYN DILLARD, Secretary  
Dated, November 6, 1953



### Dividend Number 8 on 4.40% Cumulative Preferred Stock

### Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on November 9, 1953, declared a dividend of \$1.10 per share for the quarter ending December 15, 1953, payable December 15, 1953, to holders of 4.40% Cumulative Preferred Stock of record November 21, 1953, and a regular quarterly dividend of 37 1/2 cents per share, payable December 5, 1953, to holders of Common Capital Stock of record November 21, 1953.

DONALD S. CARMICHAEL,  
Secretary  
Cleveland, Ohio, November 11, 1953  
DIAMOND ALKALI COMPANY



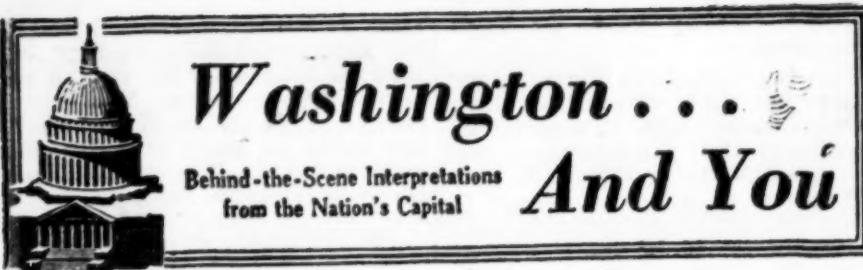
## THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

### 125th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 50¢ per share on the Common Stock of the Company, payable on December 1, 1953 to stockholders of record at the close of business on November 16, 1953.

GEORGE SELLERS, Secretary  
November 6, 1953



Behind-the-Scene Interpretations  
from the Nation's Capital

WASHINGTON, D. C.—One of the almost certain consequences of the recent elections is that they have put the President in a position where as of today he stands no chance of controlling any majority in the Congress when it meets next January.

As a general rule a President's control over Congress depends pretty largely upon the influence which the members of Congress think the President has with voters in elections for House and Senate seats.

This is particularly important in a situation like the present, where the party division is virtually even.

If in the judgment of a majority of House and Senate members, the President has great vote-pulling power, then a majority of his own party back the Chief Executive. Then even the opposition tends to be timid. In particular, if the President were still rated as a charmer at the polls, the President could get farther with conservative Republicans with schemes to adopt Democratic tariff policy, Democratic policy toward the labor unions, and so on. The wavers wouldn't waver, for fear bucking the President would unseat them.

**When, on the contrary, support of the President does not appear to be a local asset in Congressional election contests, then the wavers naturally vote against the President, not just to vote against him, but because they vote the way they hope will get themselves re-elected without too much thought of the President.**

At the same time when the President loses his vote-pulling charm, the opposition naturally becomes more vigorous in its opposition. The Democrats may be expected to solidify to a considerable extent in the expectation they can hasten the downfall of the still formal or nominal control the President has of Congress, and with a view to defeating the Republicans in 1956.

No matter how the various local factors in these elections are rationalized, enough has happened to convince the rank and file of Congress that Mr. Eisenhower has lost his charm—at least as far as they are concerned. The Democrats will tend to close ranks, in the votes in Congress next year—and the Republicans will tend to break and run.

#### Loss Not Hopeless

This situation, however, need not necessarily become the finish of the Eisenhower Administration learns what has happened, and can adjust thereto, it still has hopes. The Administration, basking in the tremendous personal vote of confidence the President got in 1952, had not until recently, if as yet, ever understood that the very precariousness of its hold upon Congress was its central political problem. It has acted as though the President had a mandate, and needn't worry about trying to consolidate his hold upon the national legislature.

One of the things that the White House must learn is that its apparently large capacity to compromise must be directed

toward compromising with its own party supporters, and not merely with the pressure groups as such which have supported the New Deal and Fair Deal Administrations.

Thus, for example, if the Randall Commission majority brings in a straight report for a pristine New Deal tariff policy, the Administration had better forget it. The Treasury had better forget its plans to insist upon a 52% corporation income tax rate and the higher rates of excises. If the President is to please conservative Republicans—and those afraid of the local pressure groups as well—and wants to cut expenditures, he had better forget about his plan to copper-rivet the foreign spending into the U. S. defense budget, and take that route toward economy, which will get him a majority in Congress.

Perhaps even the antipathy of certain most influential elements to exposing the Communist conspiracy in government must also be forgotten—as events of the last few days may suggest is possible.

#### Why Dems. Take Different Slants on Formal Control

There is some good political history behind the differences between House and Senate Democrats on the subject of taking over formal control. Senate Democrats are most chary of attempting to organize the Senate, taking over Committee Chairmanships, etc., until they have a definite numerical majority. In the House, on the other hand, the Democratic leadership is very definitely eager to reorganize the House and take over control as soon as they have a majority of one with which to turn the trick.

In the House formal control means much more than it does in the Senate. Once the Democrats get control of the House they can more effectively throttle the President's program and make up a legislative slate of their own than could the Senate.

For instance, control of the House gives control of the Rules Committee, which means virtually complete control of what shall and shall not be taken up in the House. In the Senate, on the other hand, with its wide-open procedure, nothing can be effectively throttled, and no amendment can be altogether barred from any pending legislation.

So if the Democrats organized the Senate under the foreseeable circumstance of a narrow party majority, they would have the responsibility without the power. In the House, on the other hand, everything that the President proposed could through a combination of Committee control and Rules Committee action, be throttled as such and a "Democratic legislative program" could be substituted in place of the President's program.

Almost anyone could easily raise a reward fund from GOP members of Congress for any person who could actually persuade Sherman Adams to read the history of the Democratic House of 1930-32, to show how effectively Democratic control

is expected to remain. Thus the outlook appears to be for some appeasement, not a big surrender, to the small business lobby.

#### AEC Would Release Some Information

If the reports are correct that the Administration plans to tie in proposals for release to domestic industry of atomic information and materials, with legislation to release information about atomic developments to friendly foreign countries, then:

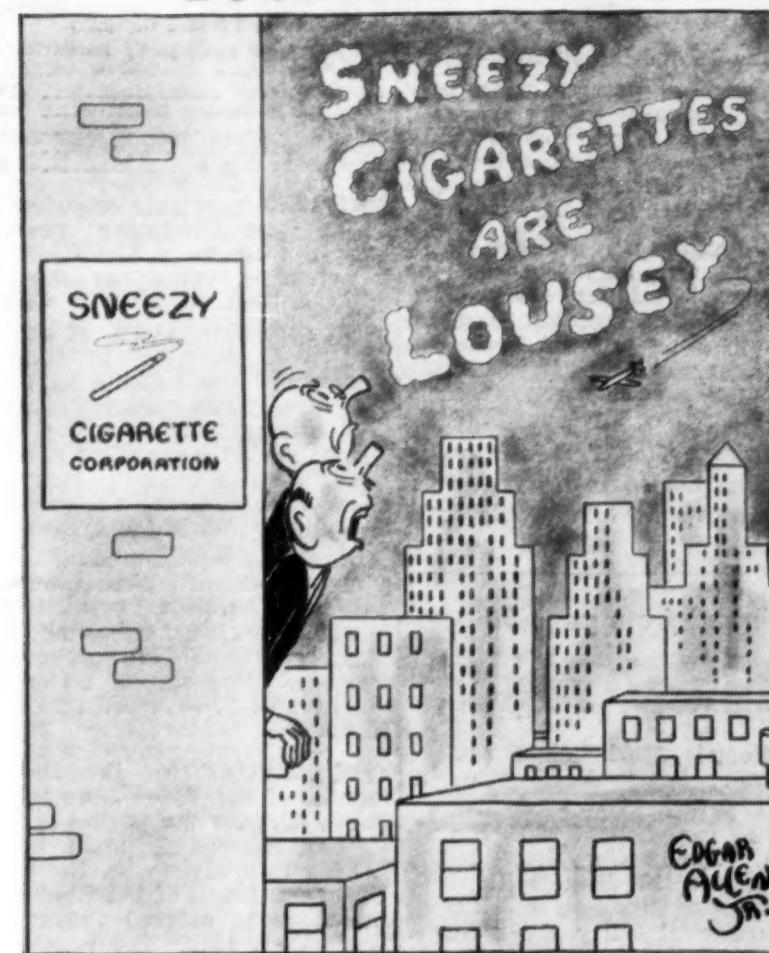
The outlook for favorable action on legislation to diminish the tight character of the governmental atomic monopoly is diminished.

In view of the horror with which British officialdom looks upon "McCarthyism" in the United States, and its leniency toward convicted British atomic spies, Congress is not impressed with the desirability of making atomic weapons information more freely available to that particular ally.

So wrapping up the proposal for release of domestic information with release to foreign powers will tend to bog down the whole project and help to further perpetuate the governmental monopoly.

*(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)*

## BUSINESS BUZZ



"I TOLD you not to cut his salary, J. C.!"

was used to check-mate President Hoover.

#### Holds to SBA Line

Despite the abrupt resignation of William D. Mitchell as Administrator of the Small Business Administration, the Eisenhower Administration is expected to hew fairly closely to the line Mr. Mitchell was following.

Mr. Mitchell's program was unusual in the field of small business. In the first place, Mr. Mitchell candidly said that the two main problems of small business were Federal taxes and lack of management. In the field of capital, its needs were for genuine capital, not merely loans.

Consequently Mr. Mitchell concentrated upon setting up state and local advisory committees. These committees, or councils, were also to raise capital. They would provide local assistance and guidance for promising small business.

Federal loans, if any, were to be purely supplementary to local credit and funds. While Mr. Mitchell never put it so bluntly, he indicated that his idea was to get the small business racket out of Washington.

Naturally the professional spokesmen for small business have been needling Mr. Mitchell. They have been telling him that even though he had only \$55 million available for loans, his primary job in their view should be to disburse that sum just as

fast as he could and come back to Congress and ask for more—for perhaps 10 times this sum.

Mr. Mitchell failed to be moved, and emphasized his development of state and local planning first. In view of his unexplained departure, the professional small business spokesmen have come to believe that they alone slew Mr. Mitchell's career. In fact, they have taken public credit therefore in some dispatches.

On the other hand, the basic philosophy of SBA, as applied by Mr. Mitchell, was formulated in the regulations of the Loan Policy Board. Two of the members of this board are George M. Humphrey, the Secretary of the Treasury, and Sinclair Weeks, the Secretary of Commerce. The third member is the Administrator of SBA.

Those who are averring that Mr. Eisenhower disposed of Mr. Mitchell because the President has come around to an easy loan policy for small business, thus in effect are claiming that Mr. Eisenhower has also thrown down a policy strongly advocated by his Secretaries of Commerce and the Treasury. Reports are that this is not altogether the case.

Wendell B. Barnes, Acting Administrator of SBA, quickly made it clear he was also emphasizing local responsibility.

About the only change indicated is that SBA may make a few more loans more quickly, but the basic philosophy of SBA

**Company Programs for the Improvement of Plant-Community Relations—A bibliography—Selected references, Industrial Relations Section, Princeton University, Princeton, N. J.—Paper—20c.**

**Economic Report for October (Problems of control and Production in Austria)—Creditanstalt-Bankverein, Vienna, Austria (also issue monthly report on economic situation)—Paper, printed in German.**

**Justice George Shiras, Jr.—George Shiras, III—University of Pittsburgh Press, Pittsburgh 13, Pa. (cloth), \$4.50.**

**The Future of Gold—C. F. M. Williams, 36 West 40th Street, New York, N. Y., \$2. Also Future View Stocks in Accumulation Area, \$2—both reports for \$3.**

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